



Daily Report

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General

"News Analysis" Probes U.S.-Soviet Rivalry
OW040230 Beijing XINHUA in English 0131 GMT
4 Dec 87

[*"News Analysis: What Comes Next Is What Counts (by Shi Lujia)"—XINHUA headline*]

[Text] Washington, December 3 (XINHUA)—It took more than six years of hard negotiating for the United States and the Soviet Union to reach an intermediate-range nuclear force (INF) agreement. Now what's the prospect for strategic nuclear arms talks between the two superpowers?

As a first step toward disarmament, the agreement is welcome, but it deals only with three percent of the huge nuclear arsenals of America and Russia. By itself, therefore, it will not significantly reduce the dangers of nuclear war, let alone ease international tension once and for all.

If the two superpowers are really sincere about reducing their arsenals and contributing to world peace, they still have a lot more to do, and a lot more they should do. Principally, they should drastically cut and even completely eliminate the strategic nuclear weapons they now possess and check the arms race in space.

For more than 40 years since the end of World War II, the United States and the Soviet Union have competed frantically to establish strategic superiority through nuclear arms expansion. While this competition has been going on, the two superpowers signed strategic nuclear arms limitation treaties, one in 1972 and the other in 1979, that failed to check the momentum of the nuclear arms race. On the contrary, their nuclear arsenals have grown.

According to the statistics of the International Institute for Strategic Studies in London, the United States now possesses almost 2,000 pieces of nuclear armament and more than 13,800 warheads, while the Soviet Union deploys 2,500 pieces and 11,000 warheads.

Such a proliferation of nuclear weapons poses not only a great threat to the two countries themselves, but also to world peace and to the security of the people everywhere. More and more representatives of the international community have been calling on the United States and the Soviet Union to end this nuclear arms race.

At their Reykjavik summit last year, the two superpowers indicated they have only begun to listen. In Iceland, they discussed cutting their long-range nuclear missiles by 50 percent each, but since then, little progress has been made in actually working out such an agreement.

The Soviet Union is superior in land-based missiles, while the United States enjoys its superiority in submarine-based missiles and long-range bombers. Each side, therefore, wants an agreement that will cut the other side's strength first.

Another obstacle to their negotiations is the attempt of both sides to develop space weapons. Comparatively speaking, the Soviet Union now lags behind the U.S. in some aspects of this technology and accordingly, it is insisting on linking space weapons to strategic arms.

What they have proposed in the negotiations is a reduction in their long-range missiles in exchange for a U.S. concession to give up or put off the Strategic Defense Initiative (SDI), also known as "star wars." The U.S., however, claims this is merely a ploy to allow the Soviets time to catch up on space weaponry. In any case, U.S. President Ronald Reagan has pledged time and again that the SDI will not become a bargaining chip.

In going from the arms race of the 1970s to the present discussions on arms reductions, both sides do appear to have taken a first step forward. Yet the crux of the problem is that neither side appears to have changed its fundamental policy of seeking strategic superiority.

Recently, both superpowers appeared to have demonstrated a little flexibility. The Soviet Union said that as long as the U.S. observed the Anti-Ballistic Missile (ABM) Treaty signed in 1972, it could continue its research on space weapons, while the U.S. conceded its willingness to discuss and presumably come to an agreement on how the ABM Treaty should be interpreted.

The signs now, however, are that these initiatives only represent changes in negotiating tactics. Their actual differences are far from being ironed out.

The U.S. is firm on its position that the "star wars" program is the cornerstone of its security strategy, and that it will not only conduct research and experiments on the SDI but carry out its deployment. The Soviet Union, however, warns that if the U.S. does so, it would be obliged to pursue its own research and deploy nuclear weapons in space.

At the same time, however, both superpowers are indicating that in addition to signing an INF treaty, they will discuss at the coming summit long-range-missile cutbacks to reduce strategic weapons by 50 percent. The effort is to reach another treaty that can be signed when President Reagan visits Moscow next year. Judging from present circumstances, this will not be an easy goal to reach. And even if such an agreement is concluded, so long as the superpowers do not end their fundamental policy of seeking military superiority, the arms race will not cease and the danger of nuclear war will not be removed.

What is more, even if an agreement is reached, but its wording somehow allows both sides to continue to develop space weapons, then the only accomplishment of such a treaty would be to legitimize the space arms race.

Journal Discusses Washington Summit
HK040817 Hong Kong LIAOWANG OVERSEAS
EDITION in Chinese No 48, 30 Nov 87

[Article by Peng Di (1756 6611): "May it Be the New Starting Point of Detente"]

[Text] The 7 December U.S.-Soviet Washington summit has drawn worldwide attention. Observers in all countries are analyzing, predicting, and discussing what will and will not happen at the meeting, and what influence it will have on the relationship between the two countries and even on the world situation.

In my view, some points can generally be affirmed.

First, the heads of the two countries will sign the U.S.-Soviet Treaty eliminating intermediate-long-range and intermediate-short-range nuclear missiles (called the INF Treaty for short). After some hard bargaining on the part of the heads of the two countries, and especially their representatives at talks since March 1985, the treaty has basically taken shape. According to survey statistics by the London Institute of Strategic Studies, in accordance with this treaty, 364 U.S. intermediate-long-range missiles and 1,400 Soviet intermediate-long-range missiles (over a 3-year period), and 72 U.S. intermediate-short-range missiles and 150 Soviet intermediate-short-range missiles (over an 8-month period) will probably be destroyed. The implementation of such a treaty involves many complicated political and technical problems. The question of verification is even more crucial. This includes specific agreements by both parties to exchange detailed data on intermediate-range nuclear missiles, launchers, and auxiliary equipment; to notify each other of the detailed geographical positions, movements, and storage of such missiles and launchers which have or have not been deployed; and to carry out mutual on-the-spot inspection, verification, and checking of the destruction of missiles, launchers, and warheads. Moreover, publicly-owned and private factories "suspected" of manufacturing or storing such weapons are also listed for verification.

What is more complicated is that, in addition to the mutual inspection on U.S. and Soviet territory, the Soviet Union also pointed out the need to inspect intermediate-range missiles which the United States has deployed on bases in the FRG, Britain, Italy, and Belgium, as well as suspected sites and factories.

In addition to the intermediate-range missiles, the United States also called for an inspection of Soviet SS-25 intercontinental missile facilities on the grounds that the first-stage of such missiles is exactly the same as

the SS-20 intermediate-range missiles which should be eliminated because it is very easy to refit them in secret as replacement SS-20 missiles.

In short, there is a strong atmosphere of suspicion. They are trying every possible means to plug any possible loopholes in the treaty which could be used by the other party. Otherwise, even if the treaty exists, they will not be able to sleep well. However, having deliberated upon it for such a long time, a transaction on the INF treaty will surely be concluded in Washington. If the heads of the two countries meet without attaining anything, will they not become laughing stocks? How can they justify themselves to history?

Second, at the forthcoming meeting the question of reducing strategic weapons by 50 percent in stages will be further discussed. When the heads of the two countries met at Reykjavik in October 1986, they reached an understanding in principle on this issue. But offensive strategic weapons directly involves the safety of U.S. and Soviet territories and therefore is of greater importance. Both parties have agreed in principle to reduce the total number of their respective strategic delivery vehicles to less than 1,600, and the total number of warheads to less than 6,000. However, the functions and duplication of various weapons and warheads are different. Therefore, both parties meticulously calculate the ceilings for different categories. They are always trying to ask the other party to reduce more weapons and warheads in which the other party has superiority so as to preserve their own strength. For this reason they dispute with each other endlessly.

Naturally, there are still the more complicated issues of verification and so on.

More important, in an attempt to force the United States to give up or delay its Strategic Defense Initiative, the Soviet Union demanded that the treaty be linked with strategic defense and space issues and solved together. The United States refused, holding that the treaty should not take as a precondition the solution of questions beyond the strategic arms reduction talks.

If the text of the INF treaty has basically been thrashed out and only waits for the heads of the United States and the Soviet Union to make political decisions, look it over, and sign it, the treaty on reducing offensive strategic weapons by 50 percent will probably be a major topic at the summit. The difficulties are expected to be many and the talks will be extremely difficult. However, both parties will try as far as possible to reduce their differences because, according to their plans, the treaty will be submitted to the next summit meeting to be held in Moscow during the first half of next year.

Third, the most difficult problem lies in the "Strategic Defense Initiative" mentioned above. One insists on carrying it out and the other is determined to abolish it. Essentially speaking, this is a question of contending for

strategic superiority. Whoever deploys the strategic defense system earliest and most efficiently will have the initiative in war. In fact, the United States and the Soviet Union are developing strategic defense systems both secretly and publicly. The United States carries it out publicly and in a big way. It has publicly announced that it will have a long trial of strength with the Soviet Union. The Soviet Union apparently is not prepared to engage in it publicly or in a big way. It wants to stop the United States from carrying out its plan. It was chiefly due to this difference that the Reykjavik meeting broke up in discord last year.

To break the deadlock, both parties are now seeking a temporary compromise from the U.S.-Soviet antiballistic missile treaty signed in 1972. The treaty placed some limitations on the development of antiballistic missiles. However, both parties have different interpretations of these limitations.

The United States maintains that it will abide by the clauses in the antiballistic missiles treaty during the next 7 years (that is, before the end of 1994). But it stresses that it will still be able to engage in the development and tests allowed by the treaty. After 1994, both parties may deploy the advanced strategic defense system at will.

However, the Soviet Union chooses not to withdraw from the antiballistic missile treaty in the next 10 years and demands that the development of space-related ballistic missiles should be permitted only in laboratories and factories.

It is probably impossible to reach a fundamental agreement on the question of strategic defense systems at the forthcoming summit. It will still be possible, however, to find a compromise plan that will stave off the contradiction for a time.

Fourth, it is expected that the conflict of interests between the two superpowers, the United States and the Soviet Union, in various areas such as Afghanistan, the Gulf, and Central America, will also be dealt with at the meeting. The United States and the Soviet Union have their own difficulties in these areas. For this reason, the possibility that both parties increase their mutual understanding and even reach a tacit agreement on certain problems cannot be excluded. However, because their basic stands run in opposite directions, each having their own plans, there is not really much common ground.

Fifth, on the questions of human rights and humanitarianism, each has their own standard. As for some general bilateral agreements, they are of secondary importance and can be solved without a summit meeting. They can, however, serve as a prop if they are discussed at the summit, thus lightening the atmosphere.

If the above analyses are relatively close to reality, the high-level dialogue between the United States and the Soviet Union will be conducted under a situation of

antagonistic stands and mutual distrust. In this sense, it is not overstating the case if we say that the meeting is a dinner party where treachery is planned. On the other hand, however, pressured externally by calls for peace and disarmament and beset by internal economic and political difficulties, the United States and the Soviet Union have to ease confrontation through dialogue. At present, the two leaders of the United States and the Soviet Union have begun a process of high-level dialogue and will probably make substantial headway. It is estimated that both parties do not want the dialogue to fizzle out. In this sense, it also gives people some hope. May this be the starting point for detente and not a dinner party that will intensify confrontation.

Commentary Praises UN Disarmament Resolution
HK031505 Beijing RENMIN RIBAO in Chinese
2 Dec 87 p 6

[Commentary by RENMIN RIBAO reporter Liu Kai-chen (04917030 1368): "Reflecting Realistic Demand, Winning Universal Support—Two Disarmament Motions Sponsored by PRC Unanimously Adopted at the UN"]

[Text] UN, 30 Nov—The UN General Assembly unanimously adopted the PRC sponsored motions on nuclear disarmament and on the reduction of conventional arms. These two were written down in an official UN resolution today. This is the result of China's untiring efforts to promote disarmament to safeguard world peace. It reflects the strong aspirations of the world people; hence, the universal support of the international society.

China has all along attached importance to the disarmament issue. For years, China has put forth a series of constructive proposals regarding the principle and measures of disarmament in the UN. At the 41st UN General Assembly in 1986, the Chinese representative first proposed the two draft resolutions on disarmament, and they were adopted. At the current session of the UN General Assembly, new contents were added to the two draft resolutions on disarmament, apart from reaffirming the basic spirit that the United States and the Soviet Union have special responsibilities to take the lead in disarmament.

These two resolutions suit the development of the situation and have great realistic significance.

Some progress has been made in the disarmament talks over the past year. The United States and the Soviet Union have reached a principled accord on scrapping their intermediate-, medium-, and short-range missiles deployed in Europe and Asia. They plan to officially initial the accord on 8 December. For the first time in history, it will be possible to reduce the nuclear arsenals of the two superpowers. Thus, U.S.-USSR relations and

the tense international situation will be relaxed to some extent. Therefore, the medium-range missiles accord has won the welcome of all nations throughout the world.

However, the number of intermediate-, medium-, and short-range missiles to be reduced in the U.S.-USSR agreement accounts for only 3 to 4 percent of the total number of warheads in their nuclear arsenals. Militarily speaking, this affects the nuclear forces of neither party. Moreover, the nuclear arms race in other respects is continuing. In the 1987-1988 fiscal year, the number of U.S. strategic nuclear warheads will increase by 1,100, while the Soviet Union's will increase by 400. Apart from the increase in quantity, the quality of nuclear weaponry continues to be improved. At present, the strategic weaponry of both the United States and the USSR has already reached the saturation point in quantity, with a high accuracy in launching, and the quantity is enough to destroy the earth over and over again. Besides, both the United States and the USSR are pushing their nuclear arms race into space. These conditions show that the potential nuclear war threat still remains. For the sake of world peace and security, therefore, it is vitally important to demand the United States and the USSR take the lead in reducing their nuclear weaponry by a wide margin.

While showing deep concern for nuclear disarmament, international society has also attached great importance to the reduction of conventional weapons. The conventional weapons of all nations should be confined to self-defense. It should not threaten the security of another nation. When the U.S.-USSR medium-range missiles accord is reached, the armament of conventional weapons in Europe will become all the more conspicuous. The two major military blocs, NATO and the Warsaw Pact headed by the United States and the USSR respectively, not only possess mighty nuclear arsenals but also powerful conventional weapons. Their direct confrontation always places Europe under threat. Therefore, international society also demands the United States and the USSR as well as the two major military blocs take the lead in reducing their conventional weapons by a wide margin, offensive conventional forces primarily. This would help safeguard peace and stability in Europe as well as the world. This is entirely fair and reasonable.

Every nation, big or small, strong or weak has equal right to participation in deliberating and settling the disarmament issue. The joint efforts of all countries and the concern for the international society have played a role in promoting the achievement of the U.S.-USSR medium-range missiles principled accord. The several reports on disarmament, including the Chinese motions adopted at the UN Assembly today, will better motivate the peoples of all countries to demand the superpowers end the arms race and strive for world disarmament.

United States & Canada

News Analysis on U.S. Nuclear Disarmament
OW040938 Beijing XINHUA in English 0918 GMT
3 Dec 87

[by Li Yanning]

[Text] Washington, December 2 (XINHUA)—After many hearings in drawn-out, exhausting negotiations, the United States finally agrees to sign a treaty with the Soviet Union to eliminate Intermediate Nuclear Forces (INF).

Amid acclaim for this initial step toward nuclear arms reduction, clear-headed analysts found themselves wondering what had changed Reagan's stubborn mind in regard to the nuclear arms race with the Soviets.

The ever-mounting budget and trade deficits, which many economists see as responsible for October's stock collapse and the dollar's recent sliding, is apparently one of the many reasons that draws Reagan back to the negotiating table.

Today's America, though still a leading industrial country, has swung from the world's largest overseas creditor to its biggest debtor. The favorable balance of trade it used to enjoy has been replaced by a huge trade deficit.

After Reagan came to power 6 years ago, he drastically cut taxes and invested heavily in an escalated arms race. Even though he claims the United States is now secure militarily, his "Reaganomics" have brought about a startling economic decline.

The federal deficit has been soaring. Between the fiscal years 1982 and 1987, deficits amounted to 1,102 billion dollars. Of course, the need to borrow money to make up for the deficit also rose rapidly.

With Reagan in the White House, the U.S. national debt has reached about 2,200 billion dollars, which is more than double the debt accumulated in the previous 200 years of American self government.

In 1986 alone, the interest payment for the national debt amounted to 179.3 billion dollars, or 13 % of the annual federal financial income. As a result, the problem of high interest rates and a higher exchange rate for the U.S. dollar cropped up in Reagan's first term, and was immediately followed by a growing unfavorable trade balance. The U.S. foreign trade deficit rose from 27.3 billion dollars in 1981 to 156.2 billion dollars in 1986. In the past 6 years, it has added up to 529.2 billion dollars.

The financial and trade deficits have cast dismal clouds over the U.S. economy. An article entitled "Wake up, America" in a recent issue of *Business Week* sighed that

"in a few short years the U.S. has squandered three-quarters of a century of capital accumulation abroad," and warned that "our foreign debt could reach an eye-popping 1 trillion dollars by the early 90s."

With the economy on the downgrade, the Reagan administration and Congress deadlocked. The President would not cut down military expenditures nor increase taxation. He proposed to reduce the budget deficit by cutting spending on civil and social welfare items, which most Congressmen were reluctant to cut.

Stunned, however, by the "Black Monday" stock market crash of October 19, and confronted by criticism from home and abroad, Reagan has recently agreed to compromise. For the fiscal years 1988 and 1989, he promised to increase taxation while cutting military spending.

While caught in these financial and economic straits, Reagan can hardly afford to press ahead with an overall arms race with the Soviets. His compromise appears to be based on the feeling that the elimination of INF missiles, which comprise only a small percentage of America's nuclear arsenal, will not affect the strategic balance of power with the Soviets.

Obviously, Reagan has been pushed down the road toward arms reductions, but it would be unwise to expect him now to favor wholesale nuclear disarmament.

One important point can not be overlooked: Reagan still clings to his "Star Wars" Strategic Defense Initiative. On this program rests his hope of gaining a strategic superiority over the Kremlin.

So for President Reagan the INF treaty is just a necessary tactic his nuclear dealing with the Soviets. There is a saying for it: Giving up a pawn to save chariots.

Increasing Sino-U.S. Trade Discussed
HK031343 Beijing RENMIN RIBAO in Chinese
1 December 87 p 7

["Newsletter from America" by RENMIN RIBAO reporter Jing Xianfa (2529 2009 3127): "Widen the Scope of Sino-U.S. Trade"]

[Text] Washington, 30 November—In mid-October, when Congress was working out a new trade bill, the U.S. Senate held a special discussion meeting on Sino-U.S. trade. It was the first such meeting since the establishment of Sino-U.S. diplomatic relations. The 20-odd congressmen of the 2 parties headed by Senator Hecht put the Sino-U.S. trade problem on the agenda. This is a wise move, as far as the further development of Sino-U.S. trade is concerned.

The conduct of trade between New China and the United States started in 1972, with "the ice broken." In the past 15 years, through mutual efforts, trade between the two countries has shown an average annual increase

of 20 percent, a pace quicker than the increase in China's trade with any other country. The United States has become China's third largest trading partner.

The development of Sino-U.S. trade is in line with the fundamental interests of the people of the two countries. China is a developing country with the largest population in the world. It has the feature of being very rich in natural and human resources. In the current process of economic development, China needs funds and technology. The United States is one of the industrial countries with the most developed technical level in the world. Its immediate task is to seek a transfer of technology, invest and find a products market abroad. What the two countries of China and the United States respectively "have" or "have not" provides a condition for the development of trade between the two countries. Just as Chinese Ambassador to the United States Han Xu said, on today's international trade stage China and the United States are not rivals in competition but trading partners in cooperation.

In July this year, Republican Senator Hecht proposed and established the Senate's "trading group with China." In a matter of a few months, one-fourth of the Senators had joined this group. Membership in the group is divided evenly between Democrats and Republicans. Not long after, U.S. industrial circles established the "committee for fair trade with China." They demanded that Congress delete provisions discriminating against Chinese commodities in the existing trade bill. They also urged the U.S. Administration to set up a special organ to study the effects of the economic policy and pricing structure in China's reform of the system. Since the 13th National CPC Congress, U.S. industrial and commercial circles have become more active. Recently, Chinese and American industrialists held in Oklahoma the largest-scale bilateral talk since the establishment of diplomatic relations between the two countries. More than 400 manufacturers, businessmen and representatives had direct dialogue on business matters.

Positive moves by the U.S. Administration and people on trade with China have reflected the further development of economic relations between the two countries. Sullivan, president of the National Council on U.S. Trade, pointed out: "The 13th National CPC Congress that has just ended shows that the Chinese leaders' policies in regard to reform and openness are unanimous. The U.S. decision-makers should formulate a new trade policy toward China." Senator Dickson said: "China is the world's largest potential market. The U.S. Administration should match private enterprises in unfolding trade with China as quickly as possible."

However, some problems now still exist in Sino-U.S. trade.

As far as the U.S. side is concerned, the main obstacle restraining the development of trade between the two countries is the protectionism now prevailing in Congress. Due to the serious U.S. trade deficit, a new trade

bill tinged with strong protectionism is being intensively worked upon. If the trade bill should be approved, many of China's exports to the United States will be dropped in the name of so-called "prevention of dumping." But, actually China's accumulated trade deficit with the United States in the past 15 years has reached \$18 billion. Moreover, despite U.S. agreement to allow the treatment of most favored nation for Chinese commodities, the U.S. has, at the same time, cited the "Jewish Immigration Article." This article subjects Chinese commodities to the so-called "assessment of qualifications" made once every year despite the fact that these commodities are entitled to most favored nation status. This irrational practice seriously hampers the healthy growth of of bilateral trade.

True, just as some people on the U.S. side often point out, there is also much room for improvement on China's part. China's commodity exports to the United States are at present too limited in variety. The quality of products must also be upgraded. In addition, a lot of effort has to be made in such matters as shortening the time limit for the delivery of goods, improving the environment for foreign investments, perfecting legislation on investment, and so forth.

In spite of all this, the general trend in the development of trade between China and the United States is encouraging. The development of a wide scope for Sino-U.S. trade calls for joint efforts by both sides.

Article Addresses U.S. Economic Problems
HK040103 Beijing RENMIN RIBAO in Chinese
2 Dec 87 p 7

[Article By Zhang Liang (1728 0081): "Five Years of Growth and Three Major Problems"]

[Text] During late November the U.S. Department of Commerce announced that the U.S. economy's growth rate for the third quarter of this year was 4.1 %, while growth rates in the first and second quarters were 4.4 and 2.6 % respectively. It seems that the annual economic growth rate of 3.2 % proposed by the Reagan administration at the beginning of the year will probably be reached. However, the threat of high financial and trade deficits, and high foreign debt, will certainly become more obvious along with the economic development.

The U.S. economy began to recover 5 years ago in November 1982. This is the longest period of economic recovery in the post-war United States. A variety of factors have contributed to such a long-term economic recovery. As far as the subjective factors are concerned the Reagan administration has adopted a series of economic measures to accelerate the recovery of the U.S. economy. During President Reagan's first tenure of office, his administration implemented the plan calling for a 25 % tax reduction within 3 years. As a result a total of U.S.\$300 billion in tax reductions have been made. The Reagan administration's tax reduction policy has

greatly benefited rich individuals and large enterprises, and aroused their enthusiasm for investment. The Reagan administration has also adopted an expansionary financial policy in order to push forward with all types of economic activities and has also carried out a large-scale arms expansion in order to accelerate the development of the munitions industry. Moreover, the tight monetary policy adopted by the Reagan administration has succeeded in checking inflation and has enabled the government to more effectively regulate economic activities. Another factor is that the Reagan administration has not only strengthened the government's intervention mechanism in the domestic economy but has also strengthened policy coordination with other Western countries.

The objective factors can be summed up as follows: High interest rates have helped to attract a large amount of idle funds from foreign countries enabling the United States to successfully solve its funds shortage problem. The drop in international oil prices, and the drop in the price of other raw materials, not only enabled U.S. enterprises to increase their profits but also helped the United States to check inflation; innovatory changes have taken place in the U.S. industrial structure; rapid development of tertiary industry has created more job opportunities; individuals and enterprises have tended to borrow large sums of money to buy durable goods and equipment so that the total social demand in the United States has increased annually; and new technologies have been developed and utilized.

However, although the Reagan administration's policies have stimulated economic growth to a certain extent, these policies have also brought about some incurable "sequelae."

In 1981, when Ronald Reagan was sworn into office as President of the United States, he swore to completely eliminate the financial deficit by 1984. However, Reagan has been in office for 7 years and during this time the U.S. deficit has been rising rapidly with the accumulative total topping U.S.\$1,000 billion. The U.S. national debt has also risen from less than U.S.\$1,000 billion in 1980 to U.S.\$2,300 billion by the end of September 1987. Currently, the U.S. Government has to spend U.S.\$150 billion annually on national debt interest payments. This is the weak point in the U.S. economy. On 19 October last the downward plunge on the Wall Street stock market gave a warning to the White House. The Reagan administration had to hold negotiations with the U.S. Congress and has made a plan to reduce the budget deficit by U.S.\$76 billion within the next 2 years. However, it is still uncertain whether or not the plan will be implemented. The *Los Angeles Times* held that the plan "is merely an expedient measure which can only temporarily solve the problem; it cannot solve the problem once for all."

Over the past 7 years the worsening in the U.S. foreign trade deficit has become a real worry for the U.S. Government. The Reagan administration once thought

that lowering the U.S. dollar exchange rate would help reduce the foreign trade deficit. Thus, in the autumn of 1985, the U.S. Government intervened and forced a depreciation of the U.S. dollar. Since then, the United States has just let the U.S. dollar exchange rate drop continuously. However, no improvement has been made and the U.S. foreign trade deficit has increased continuously instead of decreasing. It is estimated that the 1987 U.S. foreign trade deficit will approach, or even exceed, that of last year, which was an all-time high. The problem is that U.S. products lack the required competitiveness on the world market. To solve this problem is by no means easy.

In 1985 the United States, which used to be the biggest creditor nation in the world, became the world's biggest debtor nation. By the end of 1986, the net U.S. foreign debt had reached U.S. \$263.6 billion. Some people have estimated that by the year 1990, the net U.S. foreign debt will reach U.S. \$700 billion. Although U.S. foreign debt is a different thing from the foreign debts of the developing countries, at least it shows that the economic strength and position of the United States has been weakened.

Next year the United States will hold its general election. As for the Reagan administration, "the pressing matter of the moment is to prevent an economic recession" (These remarks were made by James Baker, the U.S. Treasury Secretary). In order to stimulate economic growth the Reagan administration can use only two economic levers: relaxing control over finance and relaxing the currency policy. Since the White House has already reached an agreement with the U.S. Congress on budget deficit reduction, it seems that the possibility of the Reagan administration relaxing control over finance no longer exists. On the question of relaxing the currency policy, the Reagan administration is now caught in a dilemma. This is because although lowering interest rate is conducive to stabilizing the stock market and stimulating economic growth, it will certainly cause inflation and a further drop in the U.S. dollar exchange rate. Under such circumstances, although it is unlikely that the United States will suffer an economic recession, many experts have estimated that the U.S. economic growth rate will only reach 1 or 2 % next year.

It is estimated that during the post-Reagan period, the U.S. economy will certainly face the serious situation of "bad old practices dying hard." The three major problems left over by the Reagan administration will doubtlessly become the major topics of debate in next year's presidential election. It is expected that the presidential candidates from the two major political parties in the United States will certainly prescribe various remedies to solve these major problems. However, it is believed that their abilities will fall short of their ambitions.

Soviet Union

Soviet Water Accords Signed 28 Nov
HK040243 Hong Kong TA KUNG PAO in English
3 Dec 87 p 12

[Text] China and the Soviet Union signed in Moscow on 28 November two documents on the utilization of water resources of their border rivers which form long stretches of the border dividing the two countries.

The documents, signed at the end of the second meeting of a joint commission held from 23 to 28 November in Moscow, are on planning comprehensive utilization of water resources of the Ergune and Heilongjiang Rivers and on the joint survey of the resources.

The accords were signed by Yang Zhenhuai, Chinese vice minister of Water Resources and Electric Power, and Polad Polad-Zade, Soviet first deputy minister for Land Improvement and Water Conservancy.

Science, Technology Protocol Signed
OW031613 Beijing XINHUA in English 1452 GMT
3 Dec 87

[Text] Beijing, December 3 (XINHUA)—A protocol of the second meeting of the sub-committee of the Sino-Soviet Committee on Economic, Trade, Scientific and Technical Cooperation was signed here this afternoon.

The protocol involves the cooperative items in scientific and technical fields and the possibility of establishing direct cooperative contacts between China's northeast province of Heilongjiang and Soviet Union's Siberia and far east region.

The meeting was convened from November 26 to December 4 in Beijing.

Signing the protocol on behalf of their respective countries were Ruan Chongwu, Chinese chairman of the Sino-Soviet committee and vice-minister of the State Science and Technology Commission, and V.V. Ezhkov, Soviet chairman of the committee and chairman of the State Committee for Science and Technology.

Vice-Chairman Yan Jici of China's National People's Congress Standing Committee met the Soviet guests after the signing ceremony.

Northeast Asia

Leaders Meet Japanese Trade Association Envoy

Deng on Soviet Summit
OW041244 Beijing XINHUA Domestic Service
in Chinese 1203 GMT 4 Dec 87

[By Reporter Lu Jiafu]

[Text] Beijing, 4 Dec (XINHUA)—Comrade Deng Xiaoping reiterated the precondition to meet Soviet leader Gorbachev during a meeting with president of

Japan's Association for the Promotion of International Trade Yoshio Sakurauchi this morning.

Deng Xiaoping said: "When I met Chairman of the Japan Socialist Party Takako Doi last time, I merely repeated what I had said before. That is, if the Soviet Union has Vietnam withdraw its troops from Cambodia, I wish to meet Gorbachev in Moscow or any other place in the Soviet Union. However, Gorbachev actually rejected my request. He did say he wanted to meet me or even to come to China, but he opposed any precondition. I expressed my wish with the precondition that the Soviet Union have Vietnam withdraw its troops from Cambodia. Without Soviet assistance, Vietnam cannot sustain the fighting in Cambodia even for a single day."

During the meeting with Yoshio Sakurauchi and his entourage in the Great Hall of the People this morning, Deng Xiaoping expressed his appreciation to Japan for sending a major economic delegation to China. He hoped that Sino-Japanese friendly relations and bilateral trade and economic ties will continue to grow and expand.

Deng Xiaoping also briefed Yoshio Sakurauchi about China's domestic situation. He said: "The 13th CPC National Congress has, in fact, formulated the line and principles for at least the next 5 decades. The deliberation at the congress was devoted mainly to the domestic reform and opening. Very little was said about the foreign policy, but this does not mean that we attach no importance to international affairs." He said: The 13th CPC National Congress has also affirmed the foreign policies pursued by the party since the 3d Plenary Session of its 11th Central Committee. These policies, including that on Sino-Japanese friendship for generations to come, will be continued.

Deng Xiaoping told the Japanese visitors about the new leadership setup in the central authorities since the 13th CPC National Congress, adding that his duty is to do as less as possible and to encourage others to do more. He said: "I am convinced that since the principles and policies of the 13th CPC National Congress were formulated by the new leading body, it will certainly implement them through to the end."

Li Peng on INF Agreement

OW031550 Beijing XINHUA in English 1539 GMT
3 Dec 87

[Text] Beijing, December 3 (XINHUA)—China's Acting Premier Li Peng met here today a delegation from the Japanese Society for the Promotion of Foreign Trade headed by Yoshio Sakurauchi, president of the society.

During the meeting Li was asked to brief on China's reform and open policy, saying that these current policies will continue and China will try to maintain a stable economic development next year while deepening the reform.

Asked to comment on the coming INF (Intermediate Nuclear Force) agreement between the United States and the Soviet Union, Li said China welcomes the INF agreement, but stressing, "this is only the first step forward in the reduction of nuclear weapons."

He said China hopes the agreement be implemented in real earnest and that the two super powers make further efforts in continuing to reduce the nuclear weapons.

This afternoon, Vice-Premier Tian Jiyun also met the Japanese visitors.

Zhao Ziyang Talks With Japanese Banker
OW040012 Beijing XINHUA Domestic Service
in Chinese 1604 GMT 3 Dec 87

[By reporter Zhang Rongdian]

[Text] Beijing, 3 Dec (XINHUA)—Zhao Ziyang, general secretary of the CPC Central Committee, met with Kisaburo Ikeura, chairman of the Industrial Bank of Japan, at Zhongnanhai today.

At the meeting, Zhao Ziyang expressed satisfaction with the fine cooperation between the Industrial Bank of Japan and the Bank of China. He told Ikeura: "You have come to China frequently and have set forth many good ideas on China's economic construction. We are old friends."

The Industrial Bank of Japan has acted as the agent for the Bank of China since 1963. In issuing bonds denominated in Japanese yen, the Bank of China has, more than once, asked the Industrial Bank of Japan to act as its agent. In recent years, Chairman Ikeura has led a delegation to visit China every year.

Ikeura highly praised the Bank of China for its role in the international financial realm. He said: The Industrial Bank of Japan has cooperated well with the Bank of China, especially in backing coal and petroleum exploration. He pledged to exert continuous efforts to help China promote its economic development.

Zhao Ziyang praised Ikeura for his positive attitude in cooperating with China.

During their cordial conversation, Ikeura held that the improvement of the financial structure is conducive to China's economic development.

Zhao Ziyang said: Before reform, China's economic construction had to rely mainly on state revenue. Great changes have taken place since the reform. Short-term funds are mainly collected by the bank. In the future, banks will play a larger role, and we will more and more rely on the banks to raise medium and long term funds. He said: Right now, the role of the banks is becoming greater and greater, but banking structure is still not so ideal. We must further reform the banking structure and

strengthen the training of financial personnel. He hoped the Industrial Bank of Japan will cooperate with China in exchanging experiences and training personnel.

Zhao Ziyang also hoped the Industrial Bank of Japan would cooperate and support the construction of Hainan Island.

Also present on the occasion was Wang Deyan, president of the Bank of China.

Chen Muhua Meets Delegation

*OW041121 Beijing XINHUA in English 1112 GMT
3 Dec 87*

[Text] Beijing, December 3 (XINHUA)—Chinese State Councillor Chen Muhua met with Kisaburo Ikeura, chairman of the Industrial Bank of Japan, and his party here today.

President of the Bank of China Wang Deyan was present on the occasion.

Raising Coal Exports to Japan Discussed

*HK041007 Beijing CHINA DAILY in English
4 Dec 87 p 2*

[Excerpt] A Chinese delegation met a Japanese team to discuss how to increase China's coal exports. The meeting took place at an annual conference which closed in Kunming, capital of Yunnan Province, yesterday.

An official of the China National Coal Import and Export Corporation (CNCIEC) said Japan was the major Asian importer of Chinese coal. The two governments reached a five-year agreement on coal trade in 1985. China's annual exports were to be no more than 4.1 million tons, the quota set by the Japanese Government.

China has exported 20 million tons of coal to Japan since a long-term trade agreement was signed between the two governments in 1978.

At the five-day conference delegates from the two countries also swapped views on Chinese energy projects and reviewed coal trade over the past year.

The official said he did not know whether the conference made any tangible progress, but said that the two delegations would meet in Japan later for more talks. [passage omitted]

Japanese Firm Signs Oil Exploration Contract

*OW041133 Beijing XINHUA in English 1045 GMT
4 Dec 87*

[Text] Beijing, December 4 (XINHUA)—Japan Petroleum Exploration Co. Ltd (JAPEX) will take over exploration of an area in the Bohai Sea relinquished by Japan China Development Corporation, China National Offshore Oil Corporation (CNOOC) announced here today.

JAPEX signed a contract with CNOOC this afternoon to work in 13/03 contract area located in the Laizhou Bay of the southern Bohai Sea and covering 1480 square kilometers.

JAPEX has been involved in eight offshore petroleum contracts or agreements to carry out surveys in Bohai and the Pearl River mouth of the South China Sea. So far, one oilfield has been developed and two are under development in Bohai. Further appraisal is being made of a significant discovery in Lufeng 13-1 structure of the 16/06 contract area.

Today's contract was signed by CNOOC President Zhong Yiming and JAPEX President Wada Toshinobu.

Southeast Asia & Pacific

Spokesman Cited on Sihanouk-Hun Sen Talks

*BK031345 Beijing in Cambodian to Cambodia
1030 GMT 3 Dec 87*

[Excerpt] At a news conference in Beijing on 2 December, the Chinese Foreign Ministry spokesman said Samdech Sihanouk is a great patriot. The samdech is experienced in political struggles. We fully respect the samdech. Therefore, we do not comment on what the samdech is planning to do.

The spokesman made this comment in response to questions from reporters who raised the issue of the meeting between Hun Sen, Cambodian puppet prime minister, and Samdech Sihanouk in France. [Passage omitted]

Li Peng Meets With Fijian Foreign Minister

*OW041224 Beijing XINHUA in English 1205 GMT
4 Dec 87*

[Text] Beijing, December 4 (XINHUA)—Chinese Acting Premier Li Peng met with Fijian Foreign Minister Filipe N. Bole and his party on a working visit here today.

Li expressed his welcome to the visitors. China and Fiji, both developing Third World countries, have much in common, he said. China is willing to develop friendly, cooperative relations with Fiji on the basis of five principles of peaceful coexistence.

China will continue to implement the agreements on economic, scientific and technological cooperation and trade signed between the two countries, Li said.

Bole thanked the Chinese Foreign Ministry for inviting him to visit China. He said Fiji hopes to expand friendly relations with China and will abide by the position of "one China."

Sub-Saharan Africa

Mozambique's Machungo Congratulates Li Peng
MB031446 Maputo Domestic Service in Portuguese
1400 GMT 3 Dec 87

[Text] Prime Minister Mario Machungo has sent a congratulatory message to Li Peng on his appointment as PRC premier. In his message, Prime Minister Machungo expressed the belief that friendship, solidarity, and cooperation between the peoples and governments of Mozambique and the PRC will develop and consolidate to benefit both countries.

East Europe

GDR's Fischer Continues Official Visit

Meets With Zhao Ziyang
OW031702 Beijing XINHUA in English 1656 GMT
3 Dec 87

[Text] Beijing, December 3 (XINHUA)—China hopes for a longstanding, stable and in-depth development of friendly relations between China and German Democratic Republic (GDR) and between the two parties, said Chinese leader Zhao Ziyang here today.

Zhao, general secretary of the Chinese Communist Party Central Committee, made these remarks at a meeting with Oskar Fischer, GDR foreign minister, here today.

Zhao spoke highly of GDR's achievements in its socialist construction, especially its good combination of the superiority of socialism with advancing science and technology, practising centralized management and raising economic benefits.

There exists a solid foundation for developing the China-GDR relations, Zhao said. The two sides share basically common points and advocate that the bilateral relations should be based on the principles of equality and mutual benefit, understanding and support, he added.

On the domestic situation, Zhao told Fischer that the theory of China being at the primary stage of socialism was set forth in accordance with China's own reality, stressing that the situation in socialist countries varies, so the best way adopted by each country for building socialism should be respected and understood by others.

Zhao said, China welcomes the coming INF (Intermediate Nuclear Force) agreement between the United States and the Soviet Union and the U.S.-Soviet summit and the inclination of certain relaxation of international situation.

He hopes that the INF agreement and the summit would lead to a disarmament on a larger scale, saying that this is only a wish that is not easy to realize.

Fischer said, GDR attaches importance to establishing friendly relations with every country and keeps close watch to the issue of disarmament which is a worldwide basic issue at present.

He said, GDR will continue to develop its friendly and cooperative relations with China in every aspect.

Signs Cooperation Accord
LD041101 East Berlin ADN International Service
in German 1008 GMT 4 Dec 87

[Text] Beijing, 4 Dec (ADN)—The foreign ministers of the GDR and the PRC, Oskar Fischer and Wu Xueqian, signed an agreement on cooperation between the two ministries in Beijing on Friday. The document stipulates numerous detailed measures for the intensification of diplomatic cooperation. A plan by the two countries' governments for cultural and scientific cooperation in the period 1988-90 was also signed. The existing cultural and scientific working contacts are to be deepened within its framework. Regular consultations and reciprocal information on basic issues related to culture, science, and educational policy are to contribute to the shaping of socialist society in both states. Wide-ranging activities will serve familiarization with each other's spiritual and cultural values. The program also provides for the exchange of ensembles, artists and exhibitions as well as cooperation between colleges and publishing companies.

Before the signing of the documents, Wu Xueqian hosted a luncheon for the GDR foreign minister, at which the politicians underlined the desire of the two states to expand bilateral relations in all spheres.

Accompanied by his counterpart, Oskar Fischer on Friday toured the 500-year-old Temple of the Sky in south Beijing. The world famous temple has recently been restored.

This afternoon Wu Xueqian bade farewell to the GDR foreign minister. Fischer is to continue his official visit with a tour of the southern province of Fujian.

Hungary Publishes Deng Xiaoping Biography
OW040600 Beijing Domestic Service in Mandarin
1500 GMT 1 Dec 87

[Text] A publishing house in Hungary recently published a new book entitled *Deng Xiaoping*. The book is written by (Barachi Daineise), a former Hungarian Telegraph Agency reporter who used to work in Beijing. It gives a detailed account of Comrade Deng Xiaoping's experiences as a child and young man. It also gives a detailed account of his political life, linking his growth closely with the development of China's history. The book includes some experiences the author himself gained during his work in China. It has 259 pages, 24 of which

contain photographs of Comrade Deng Xiaoping and photographs of him and other Chinese party and government leaders taken in different historical periods.

Latin America & Caribbean

Zheng Tuobin Ends Cuba Visit

*OW040636 Beijing XINHUA Domestic Service
in Chinese 1245 GMT 1 Dec 87*

[Text] Beijing, 1 Dec (XINHUA)—Minister of Foreign Economic Relations and Trade Zheng Tuobin and his party left for home 30 November after concluding a 5-day visit to Cuba, according to a report from Havana. During their stay in Havana, the Chinese delegation and

its counterpart signed a protocol on trade contact between the two countries for 1988. They reached unanimity of views on establishing a joint committee for economic cooperation between the two countries.

Shen Zhihuan New Ambassador to Suriname

*OW040103 Beijing XINHUA Domestic Service
in Chinese 1431 GMT 3 Dec 87*

[Text] Beijing, 3 Dec (XINHUA)—Pursuant to a decision of the NPC Standing Committee, PRC President Li Xiannian appointed Shen Zhihuan [3088 2535 3562] as PRC ambassador extraordinary and plenipotentiary to the Republic of Suriname and removed Yan Hongliang from this post.

Navy Completes Long-Distance Exercise
HK041127 Hong Kong ZHONGGUO XINWEN SHE
in Chinese GMT 0701 4 Dec 87

[Report: "The East Sea Fleet of the Chinese Navy Successfully Completes Its First Long-Distance Combined Cruise Exercise"]

[Text] Beijing, 4 Dec (ZHONGGUO XINWEN SHE)—In mid-October, the East China Sea Fleet of the Chinese Navy organized a combined oceangoing formation of various ships, which successively crossed four large straits and cut across more than 20 longitudes and latitudes reaching at the southernmost Zengmu Ansha. This combined formation staged a joint long-distance exercise with great thoroughness in the vast sea space of the West Pacific and South China Sea, facing heavy seas and tough tests. The 17 planned tactical training courses and 164 single-ship training items were all successfully carried out. The formation sailed continuously for 3,740 hours, with the total distance traveled reaching 54,000 knots. At the end of November, this formation safely returned to where it was stationed.

According to a report in today's *Jiefangjun Bao*, the main purpose of the current long-distance operation exercise organized by the East China Sea Fleet is to cultivate a sense of medium and long-range joint operations among surface vessel units. With the formation coming out of the Gonggu Waterway, various tactical groups immediately played their respective roles, taking the assumed naval battlefield as the real thing and carrying out tactical training programs according to the procedures followed in actual battle. In a certain straits in the West Pacific, the formation organized two tactical groups to stage exercises laying and breaking a straits blockade. While cruising, the formation staged exercises resisting guided missile fire, launching attacks and defending themselves, undermining pipelines, and shooting at floating mines at sea under the conditions of nuclear fallout. As the occasion required, they organized such efforts as towing damaged vessels, evacuating wounded soldiers by air, administering self-help and help for others at sea, undergoing survival tests at sea and using actual forces in submarine and missile speed boat operations. The formation based on exercise plans sometimes broke up, acting separately, and sometimes regrouped acting as one. The whole process was both tense and orderly.

It is the first time that the Chinese Navy has organized such a long-distance joint operation exercise of such long duration with vast space involved and with forces organized in a relatively complicated way. Through this exercise, the radius of the operation of the Chinese Navy's surface vessel units has been greatly increased and extended. The capacity for continuous navigation and comprehensive defense and the crew's ability to adapt to long-distance operations have been raised.

Commentator on New Development of Marxism
HK031436 Beijing GUANGMING
RIBAO in Chinese 23 Nov 87p 1

[Commentator's article: "The General Trend of the Times—Marxism Needs Major New Development"]

[Text] Comrade Zhao Ziyang pointed out in his report to the 13th Party Congress: "Marxism is a science that keeps developing in practice. Marxism needs further substantial development, and this is a general trend in the contemporary era." Approaching the issue about the development of Marxism from the high plain of regarding it as a general trend in modern times demonstrates the great foresight of the party central leadership. This will certainly produce far-reaching influence on the theoretical circles in our country.

Since the founding of Marxism, more than a century has passed. In this period, scientific socialism has extended from theory to practice, and from the practice of one nation to the practice of many nations. Now, it has been developed into the practice of reforms in the modern socialist countries. At the same time, the capitalist world has also undergone major changes. Laissez-faire capitalism has developed to monopoly capitalism, and through two world wars, many new changes and new characteristics have emerged in today's capitalist world. Meanwhile, natural sciences have also been rapidly developing. The old branches of science have been advancing with every passing day; and many new branches of science have emerged. A new technological revolution which is mainly characterized by the development of microelectronic technology, information technology, biological engineering technology, and the new materials technology is surging ahead throughout the world, and has had a greater and greater effect on people's daily lives and mentality and on the politics, economics, culture, and education in various countries and regions. All this requires Marxists to broaden their vision, develop new concepts, and break fresh ground to substantially develop and advance the theory of Marxism.

The great practice of building socialism with Chinese characteristics also needs a major development of Marxism. We are building socialism in a large and backward country in the East. The situation that we are facing now is not a highly developed capitalist economy that the founders of Marxism regarded as the foundation for building socialism, nor is it identical to those in other socialist countries. Therefore, we cannot rigidly follow the individual conclusions in the Marxist classics, nor can we mechanically imitate the practice of foreign countries. We must open our own road by integrating the basic principles of Marxism with China's reality. Our experience in the past 9 years since the 3d Plenary Session of the 11th CPC Central Committee has fully proved this. The process of reform and opening up in the past 9 years, in a certain sense, was a process of breaking through the traditional theories and conventions, casting off the outmoded individual conclusions, including

some utopian elements drawn by our predecessors with the limitations of their historical conditions, and getting rid of those erroneous viewpoints which were formed in light of the dogmatist treatment of the Marxist theory and were added to Marxism for a period. In the past 9 years, our party consistently followed the thinking of seeking truth from facts, took whether or not a step was favorable to the development of the productive forces as a basic yardstick to judge rights and wrongs, and bravely developed a series of scientific theories and viewpoints of Marxism. Without the new developments in the Marxist theories of philosophy, political economy, and scientific socialism in the past 9 years, we would not have made the remarkable achievements that have attracted the world's attention.

The viewpoint on life and practice is the primary and basic viewpoint in Marxist epistemology. It is not a rare phenomenon that theory is contradictory to practice, and even antagonistic to practice. When such a problem appears, should we just get annoyed and simply use the ready-made theory to explain the past experience and distort the current reality so as to fit the practice into the framework of the existing theory, or feel pleased and cherish a scientific attitude to review the existing individual theoretical conclusions that are unsuited to the practice in order to develop, replenish, and enrich the theory of Marxism? Of course, the latter is a correct approach to the contradiction between theory and practice. However, due to the influence of the long-standing "leftist" political line, some people among our theoretical workers are now still shackled by dogmatism. They are not keenly interested in observing and studying the vigorous social practice, the new changes in today's world, and the new developments in both natural and social sciences; instead, they are still content to make farfetched explanations of the new things on the basis of the traditional viewpoints, and tend to evaluate the new theoretical viewpoints from the perspective of the traditional conclusions without considering whether the new points of view are in keeping with the reality or not. No matter how sincere they are, the comrades who hold such an attitude will just play a role of damaging the reputation of Marxism.

Emphasizing the need to make new substantial development of Marxism is completely in keeping with our emphasis on adhering to Marxism. Marxism is a science that keeps developing in practice. As we adhere to Marxism, we mean to adhere to a Marxism which is vigorously developing in practice and keeps in line with the development of practice in the historical process rather than the rigid dogmas of so-called "Marxism." Marxism is a scientific world outlook and methodology, and the essential part of Marxism is its position, viewpoint, and method for observing and analyzing things. By adhering to Marxism, we mean that we should adhere to the world outlook and methodology of Marxism and apply the position, viewpoint, and method of Marxism to analyze and observe things. If we think that adherence

to Marxism means that we should rigidly follow and maintain the individual conclusions of the founders of Marxism, we will just go against Marxism.

The degree of the realization of a theory in a country depends on how well this theory satisfies the need in that country's practice. The economic structural reform in our country is gradually developing in depth, and it will inevitably give rise to many new problems and contradictions, which require the theory to provide effective solutions. On the other hand, the political structural reform in our country has also been placed in the work schedule, and will give rise to more new practical questions which need theoretical explanation and vindication. Although the theory about the initial stage of socialism has been basically formed, we still do not have sufficient and deep knowledge about the conditions, contradictions, changes, and regularity in the initial stage of socialism, as it is a rather long process in historical development. Therefore, we have yet to further improve and perfect our theory about the initial stage of socialism in practice. Great practice needs great theory. The 1 billion Chinese people's great practice of modernization and reform will certainly produce great theories.

When facing the general trend of the contemporary era to make new and substantial development of Marxism, our theoretical workers are shouldering a glorious and arduous mission. We must not let down the party that cherishes ardent hopes for us, and must not fail to fulfill our important mission of the times. We must boost new courage to make explorations and creations, and work hard to advance Marxism.

Practice of Marxism Viewed

HK040813 Beijing GUANGMING RIBAO in Chinese
26 Nov 87 p 1

[Commentator's article: "Practice—the Foundation of Substantial Development of Marxism"]

[Text] How is the thesis that China is still in the initial stage of socialism advanced by the report to the 13th CPC National Congress? Is it copied from Marxist classical works? It is not. Did it come out of the void? It did not. It is the product of practice. Without the practice of socialist construction, both positive and negative, since the founding of the PRC, without the move to bring order out of chaos under the guidance of the ideological line of seeking truth from facts, a line re-established by the 3d Plenary Session of the 11th CPC Central Committee, and without the 9 years of reform and opening to the outside world, there would be no theory of the initial stage of socialism. This is self-evident.

The Marxist theory of knowledge maintains that practice is the real authority. Any scientific theory is the product of practice. Moreover, it should combine with practice from the very offset and be continuously tested and

developed in practice. The history of Marxism, which has lasted since its founding more than 100 years ago, is a history of continuing enrichment and development. Sixty years or more have passed since Marxism was combined with the practice of China's revolution and construction. During the period of the new democratic revolution, through repeated practice, successes, and failures, the Chinese communists found the revolutionary road with Chinese characteristics and won victory in the revolution, thus enriching and developing Marxism. During the period of socialist revolution and construction, they also experienced successes and failures, and after the 3d Plenary Session of the 11th CPC Central Committee, having summed up positive and negative experiences in practice, they began to find the road of building socialism with Chinese characteristics. Hence, Marxism has undergone still another stage of enrichment and development in China. These facts show that practice is the foundation of the substantial development of Marxism. Marxism is a science that develops continuously in practice rather than being an ossified and unalterable dogma. Therefore, if we approach Marxism from a fixed and ossified point of view instead of the viewpoint of stressing the overriding importance of practice and the need to observe reality from a developmental perspective, we will not only be unable to win victory in our revolution and construction, but we will also be unable to develop Marxism.

Since the 3d Plenary Session of the 11th CPC Central Committee, the party has developed a series of Marxist scientific theories and views in the practice of reform, opening to the outside world, and modernization. Apart from the notion that China's socialism must undergo a very long initial stage as already discussed above, the party also says that the socialist economy is a planned commodity economy; that reform is an important motive force for the development of a socialist society and that opening to the outside world is indispensable for the realization of socialist modernization; and that the reunification of the motherland should be achieved by applying the principle of "one country, two systems." May we ask which of these important views can be found in the Marxist classical works? None can be found there. Instead of springing from people's imaginations, these views are the outcome of the party's re-understanding of socialism in practice. If every statement we make and action we take in the course of building socialism had to be completely based on what was written in the Marxist classical works and if we were not supposed to say and do anything that does not appear in the books, then we would not have the prevailing situation of reform and opening to the outside world or the building of socialism with Chinese characteristics. And how can Marxism be developed? To build socialism in China, it is necessary to proceed from the country's national condition and realities. Marxism is the ideological and theoretical weapon guiding us in the practice of carrying out socialist construction. Engels repeatedly pointed out: "Marx's whole world outlook is a method rather than a dogma. It provides the starting point for further study and the

methods used in the study instead of ready-made dogmas" ("Collected Works of Marx and Engels," Vol 39, p 406). The guidance of Marxism usually refers to the stand, viewpoint, and method of Marxism rather than its specific conclusions.

Marxism is full of vitality, and its practice continues to develop with the passage of time. This vitality is precisely demonstrated in the fact that not confined to the concepts, judgments, and viewpoints formed on the basis of past practice, Marxism continues to enrich and develop itself with the enrichment and development of practice. Theories on socialist construction can emerge only out of the practice of the construction. If we trim the "feet" of practice to fit the "shoes" of our predecessors' theories, this means turning something upside down, and we are bound to fail in practice. The correct thing to do is to revise the "shoes" of the theories in accordance with the "feet" of practice and to find shoes to fit on the basis of practice. Only in this way can we genuinely blaze a path of our own. Otherwise, we can hardly move a single step.

Here we would like to discuss with our theoretical workers the very serious issue of respecting practice. Should we proceed from practice or books in our theoretical research? From practice, naturally. Due to the longstanding influence of dogmatism, so far there has still been a tendency in some theoretical research to seek principles in Marxist books to explain practice. However, people cannot find answers to the new developments and new problems arising in practice in books. If we force ourselves to find the solutions in books, it will be hard for theoretical research to avoid a predicament—for example, as far as the issue of "one country, two systems" is concerned, how can we find any grounds for the issue in the Marxist classical works? However, if we proceed from our country's actual conditions and make an earnest study of the issue, it will not be difficult for us to find a correct solution. Therefore, we should do away with the mentality of reliance on books in our theoretical research. It seems that a theory or a view does not look as sound or justifiable if there are no grounds for its justification in the classical Marxist works. How can we talk about bold explorations and creations and how can we develop Marxism with such theoretical research? To explore, blaze new trails, and effect a new, substantial development of Marxism in the course of building of socialism in China, we should liberate our minds from the trammels of the notion of "just following what is said in books and just listening to the higher-ups," apply ourselves to practice, and view extensive practice as the only reliable grounds for theoretical research.

Congress Resolutions Align With Constitution
HK041011 Beijing CHINA DAILY in English
4 Dec 87 p 1

[By staff reporter]

[Text] Resolutions passed at the 13th Congress of the Chinese Communist Party were in line with the present Constitution, a senior official said yesterday.

Zhang Youyu, deputy director of the Legal Affairs Committee of the National People's Congress (NPC), said the five-year old Constitution was formulated according to the guidelines, policies and principles of the 3d Plenary Session of the 11th CPC Central Committee in 1978. The resolutions of the recent Party Congress were also based on these policies.

"Both are of the same origin and suitable to the development of the primary stage of socialism," Zhang told a meeting in Beijing commemorating the fifth anniversary of the Constitution.

Party General Secretary Zhao Ziyang's report on the congress "is a detailed explanation of the 1982 Constitution, the development of detailed matters.

"What we should now do first is to carry out the report's recommendations correctly and effectively to realize and develop the articles of the Constitution," Zhang said.

"Of course, the Constitution is not an everlasting truth. But at present there is not such a necessity for amendment.

"The resolutions are not unchangeable, because the primary stage of socialism will undergo several small stages which need different measures," he said.

Vice-Chairman Geng Biao of the Sixth NPC Standing Committee said the new ideas and policies of the 13th Party Congress enriched and developed the Constitution's articles on the socialist economic system, which will make the execution of the Constitution easier.

The Constitution encourages a diversified economic structure, including foreign investment and Sino-foreign economic co-operation under the premise of the leading role of the State-ownership.

"Five years' experience proves that the existing Constitution reflects China's national conditions today," Geng said. "It is what China needs in its modernization drive, and it is the basic legal guarantee of the Chinese people to adhere to the four cardinal principles. The Constitution also leads to opening to the outside world, reform and modern construction."

Fifth Anniversary of Constitution Observed
OW031949 Beijing XINHUA in English 1635 GMT
3 Dec 87

[Text] Beijing, November 3 (XINHUA)—More than 100 people from all walks of life gathered at the Great Hall of the People here today to mark the fifth anniversary of the new Chinese Constitution.

They all agreed the Constitution is a good one reflecting the needs of the country as it continues reform, opens to the outside world, and carries out modernization and socialist construction.

Geng Biao, vice chairman of the Standing Committee of the National People's Congress, said the basic life of political reform put forward by the 13th National Congress of the Communist Party of China conforms to the principles of the Constitution.

He said political reform means enacting the Constitution step by step and in a guided way.

Zhang Youyu, vice-chairman of the Law Committee of the National People's Congress, said the Constitution promulgated five years ago suits the present stage of social development rather than the future stage of development.

As such it meets the needs of present-day China in the primary stage of socialism.

The Constitution sets out Marxist constitutional science with Chinese features and is the basis for research of constitutional theory, said Wang Shuwen, director of the Institute of Law.

Wang urged scholars to study development trends of the constitutional theory and practical questions in implementing the Constitution.

Journalist's Forum Advocates Reforms
HK040535 Hong Kong ZHONGGUO XINWEN SHE
in Chinese 1331 GMT, 3 Dec 87

[Report by Reporter Lin Hua (2651 5478): "Chinese Journalists Call for Reforms"]

[Text] Beijing, 3 Dec (ZHONGGUO XINWEN SHE)—Chinese journalists feel keenly that the atmosphere in Chinese press circles is oppressive and believe that the spring breeze from the 13th National CPC Congress will certainly help to eliminate ideological problems in the course of the reform. These are the views of journalists attending today's "Second Annual Beijing Journalists Association Academic Conference."

Hu Jiwei, Beijing Journalists Association chairman, is one of the advocates of the press reform. At the conference, Hu Jiwei suggested that efforts should be made to enable all sides to hold more newspaper dialogues according to the four principles of democracy, opening up, consultation, and supervision. Hu Jiwei said that in order to enable the people to participate in government and political affairs, efforts should be made to make state affairs public. Hu Jiwei criticized those news grapevines which "are originally intended for export abroad but are later sold on the domestic market" as being a real slur on the press circles! He said that only by smoothing out the "big channels of information" will it be possible to smooth out the "small channels of information." An Gang and Qian Xinbo, two well-known veteran journalists, also gave their views on holding dialogues and on supervision through newspapers. An Gang said that he once attended a dialogue held between the leaders and

people of a county and found that the people did not dare speak freely. An Gang laughed and said that this type of dialogue can be regarded as the initial stage of democratic dialogue and thus should be improved and perfected. Qian Xinbo said that supervision through newspapers is the essential characteristic of the socialist press and should be continuously perfected in the course of its own development. Tong Bing and Shi Tongyu, two young journalism theorists from the China People's University Journalism Department and the Academy of Social Sciences of China Institute of Journalism respectively, boldly carried out explorations concerning the journalistic criticisms and democratic politics, and opposed the convention of not allowing newspapers to criticize CPC committees at the same level.

Although more than 50 theses were presented for the conference, the 1-day conference could only select 18 theses to be read as conference reports, and the authors were only given 10 minutes to expound their views. Though the time was limited the speakers all tried their best to explain their views as clearly as possible. Some theses contained valuable material obtained from a wide range of sources; some contained views which are suitable for certain local conditions; and some contained new theories and views. All this shows that the wave of reform will soon reach China's press circles.

CHINA DAILY Commentator on National Games
HK041009 Beijing CHINA DAILY in English
4 Dec 87 p 4

[By CHINA DAILY commentator]

[Text] The Sixth National Games which ends in Guangdong tomorrow has seen a number of firsts in China's sporting history.

Never before have so many world and Asian records been shattered at a national games. The 16-day event has seen five world and more than 40 Asian records shattered or equalled—in weightlifting, shooting, swimming and track and field. And another 12 world records were broken in the preliminaries and finals before the official opening.

China, once called the "Sick Man of Asia" before the establishment of the People's Republic in 1949, has set 17 world and more than 50 Asian marks in the games and events leading up to them.

More than 7,500 athletes from 37 teams competed in 44 officials events and three exhibition events. Athletes representing provinces, cities and sports associations not only competed in official Olympic events but also Chinese traditional activities such as the martial arts, wrestling and go chess.

Record numbers of spectators were attracted to the Games, the major talking point all over the country. Nearly 2,000 journalists covered the event and as many as a billion people watched the action on TV.

The Games put the finishing touches to what China has achieved since the Fifth Games in Shanghai in 1983, when China had set or equalled 57 world records. This made up 17 percent of the world records achieved since 1949. Also during this period, the country won more than 160 world titles, including 15 gold medals at the 1984 Los Angeles Olympics.

As a country becomes prosperous, its sporting achievements grow. China owes its progress to the open-door policy adopted since 1978, which has led to a better standard of living, allowing more people to take part in sports.

One-third of the population frequently takes part in at least one activity, says the national Physical Culture and Sports Commission. That means more than 300 million Chinese devote 20 to 30 minutes two or three times a week to it.

However, the range of activities are somewhat uneven around the country. Sport is more popular in coastal areas, where living standards are usually higher than that of inland. Of the top 10 teams at the Games, only two were inland, Hubei, sixth, and Sichuan, seventh. Though local authorities sometimes put more stress on sports, its development in non-coastal provinces and cities, with a few exceptions, has failed to keep up with the coast. Money apparently plays an important part, and that can only be obtained through economic growth.

Coaches and sports officials have their worries too. Despite remarkable progress in the last few years and the fact that China is Asia's number one, they are concerned about the shortage of new blood. Young parents usually prefer their children to go in for academic work and sending them to part-time sports schools is only a last choice.

As a result, many such schools, which provide more than 80 percent of the national players in all sports, find it hard to get students.

In his speech at the opening ceremony, Vice Premier Wan Li rated sports as "part of socialist construction and an active way of raising the nation's physical and moral qualities." This should be fully understood by the authorities at different levels and the people if the Chinese want to sustain what they have achieved in the sports world and achieve even more in the future.

Party Role in Economic Development Viewed
OW040802 Beijing XINHUA in English 0749 GMT
4 Dec 87

[Text] Beijing, December 4 (XINHUA)—Separation of the functions of the party and government does not simply mean that governments will handle economic work and local party committees just attend to ideological and political work and party building.

This is the opinion of Yang Rudai, secretary of the Sichuan Provincial Party Committee, in a signed article in the latest issue of the theoretical journal, "Red Flag".

"Just as Deng Xiaoping has said time and again, economic development is the supreme political task," Yang says, "concentrating on the modernization drive is a long-term and unshakable guiding principle we should uphold."

Yang, also member of the Political Bureau of the party Central Committee, says that local party committees should certainly grasp economic work. "The question is what duties they have and how they should perform such duties," he says.

Grasping economic work does not mean to take on such work done by governments, he adds. Instead, "party committees should pay attention to the overall situation of economic development and reforms."

Here are his suggestions for party committees at provincial, municipal and county levels:

- Study the socio-economic development strategies by proceeding from the concrete conditions of their specific areas;

- Discuss socio-economic development programs including five-year and annual plans drawn up by governments;

- Work out specific principles and policies for economic reforms under the guidance of instructions from higher authorities and by proceeding from local conditions, and make major decisions on economic development.

- Grasp problems of vital importance to the economy as a whole.

The same issue of the journal also publishes articles on separation of the party and government functions by party secretaries and deputy secretaries from other provincial party committees.

Interest on Foreign Currency Deposits To Rise
OW040747 Beijing XINHUA in English 0844 GMT
3 Dec 87

[Text] Beijing, December 3 (XINHUA)—The Bank of China will raise interest rates of fixed deposit of foreign currencies, starting from this month, to help attract more foreign investment, the "Economic Daily" reported today.

The foreign currencies involved in the interest rate increase include the U.S. dollar, British pound, French franc, Japanese yen, and West German mark.

For Chinese enterprises and institutions, the interest rate for one 7-year-term fixed deposit has been raised to 6.8125 percent for U.S. dollars and 8.0625 percent for British pounds and French francs, the paper reported.

For foreign-funded enterprises and inter-bank deposits, the interest rate has been raised close to that of the world money markets.

Economist Urges on Controlling Consumption
HK040725 Beijing GUANGMING RIBAO in Chinese
24 Nov 87 p 1

[Article by Liu Jun (0491 0193): "It Is Extremely Necessary To Guide and Adjust Consumption at Present—An Interview With Noted Economist Sun Shangqing"]

[Text] Our national economy has substantially developed during the past 9 years through reform, and the people's living standards have also been greatly improved. The general situation is very good. However, economic development in the past few years has been overheated, and the problem of a swelling consumption demand has become prominent. In addition the consumption structure is not appropriate. At a low level of consumption, people's demand for luxurious and durable consumer goods keeps growing. This not only directly impedes the rationalization of the production structure, but also causes short supplies of some commodities to a serious degree. This will only intensify the imbalance between supply and demand in society as a whole. On this issue, some people hold that production development may be promoted and stimulated by growing demand; but other people put too much blame on people's eagerness for high-class consumer goods. Comrade Sun Shangqing, a famous economist in our country, did not agree with either opinion. He said: "In order to further develop the economy, and to create a favorable environment for in-depth reforms, it is extremely necessary to guide and adjust consumption correctly while exercising strict and effective control over the scale of capital investment in society." Recently, I asked him some particular questions about this issue in an interview.

Liu Jun: Some people hold that consumption is determined by production, but also in turn influences production. So, if consumption demand is swelling, will it stimulate and promote the development of production?

Sun Shangqing: It is true that consumption is determined by production and also influences production in turn. However, the influence can be divided into positive and negative ones. Only when the markets function normally and there are perfect market mechanisms can consumption positively influence production. Things in our country are contrary to this: The markets do not function normally because they are mainly seller's markets, and the market mechanisms are still not perfect. Due to the coexistence of the new and old systems the motivating function of the market is still seriously obstructed by problems in recombining the production elements. Under such conditions, if we place much hope in the stimulating role of demand in production development, we will merely intensify the negative influence of consumption on production and obstruct its development.

Jiu: How is our people's demand for high-class and durable consumer goods demonstrated as being is too large?

Sun: The consumption level and consumption structure of a country in a certain period is conditioned by its economic development level. Our country is situated in the initial stage of socialism and our economic development level remains rather low in the world. Our per capita GNP is only somewhat over \$300. However the television usage rate in our urban population reaches the level of a country whose per capita GNP is \$1,000. According to statistics, when the per capita GNP of a country reaches \$3,000, the color TV usage rate is generally only 31 percent; the color TV usage rate in our urban population exceeds 27 percent. That is, our consumption in this field is close to a country with a per capita GNP of \$3,000.

Jiu: Some people blame the masses for craving high consumption and this has caused excessive demand for high-class and durable consumer goods and caused a serious degree of shortage in the supply of such goods. What do you think about the reasons for the excessively high demand for high-class and durable consumer goods?

Sun: We should not put too much blame on the consumers, and we should make a concrete analysis. In my view this is because first, we have not paid sufficient attention to guiding and adjusting consumption. Of course, in the long run this issue should be solved in both the production and consumption aspects. We should make efforts to increase the supply of such goods in light of our nation's economic capacity. At the same time we should also properly control consumption growth by giving correct guidance to the consumers and adjusting the consumption structure. At present, the excessively high

demand for some consumer goods is mainly caused by the following factors: First, the influence of the international consumption trend. Since we began to open up to the outside world, the trend of high consumption in the developed countries has also been introduced into China, and sets an example for Chinese consumers who will inevitably try to imitate such a consumption trend. This will raise consumption demand greatly. Second, the proportion of rent expenses in people's total living expenses in our country is too low. Last year the figure was a mere 0.9 percent, while in the developed countries the figure is about 30 percent. Therefore, it is urgently necessary to reform our country's rent system and to turn residential buildings into commodities. This will also help rationalize our consumption structure. Third, consumption funds have been growing too rapidly. After the Third Plenary Session we adopted a series of reform and adjustment measures in the distribution field such as increasing wages, restoring the bonus system, setting up enterprise funds, allowing enterprises to retain more profits in hand, and encouraging individual businesses. All this is undoubtedly necessary but at the same time, the increase in people's average income will also make it possible for them to buy more high-class consumer goods. Fourth, governments at various levels and enterprises grant a variety of allowances to workers. These reduce their food, rent, and travelling expenses enabling them to buy more luxurious consumer goods.

Jiu: What differences are there between consumption guidance and consumption adjustment, and what relations do the two sides have?

Sun: Consumption guidance and consumption adjustment are the two basic methods we use to change the inappropriate consumption structure. There are differences and relations between the two sides. Consumption guidance refers to the use of propaganda and educational means to change people's consumption mentality and social trends so as to achieve change in the consumption structure. Consumption adjustment refers to the employment of administrative and legal means to change the consumption structure. Propaganda and education are indispensable methods but we must give convincing explanations to the people and must prevent having reverse effect on the mentality of the consumers. Under the conditions of a socialist commodity economy we should rely mainly on economic means and use such economic levers as taxes, prices, and credit to restrain or encourage the consumption of certain commodities.

Questions: Is there any established target for consumption guidance and consumption adjustment?

Sun: At present, the purpose of guiding and adjusting consumption is to overcome some abnormal phenomena in the consumption structure, and the general objective is to meet the consumption requirements in the initial stage of socialism. Our consumption structure will not be as one under an economy that merely provides enough food and clothing for the people, and nor will it be the

same as that in the developed countries. Ours will be a consumption structure for people who are leading a comparatively well-off life. This will mainly be characterized by an ample supply of daily necessities, a rapid growth in the supply of goods that people need for a better life, and the beginnings of the supply of luxurious consumer goods.

Jiu: According to such an outline what principles should we follow when formulating systematic consumption policies in the initial stage of socialism?

Sun: Generally speaking, consumption policies must fit in with our national conditions and give consideration to both the development level we have reached and that we plan to reach. Meanwhile, our country's population, resources, technological conditions, geographical position, and historical and cultural traditions should all be brought into consideration. The consumption policies should guarantee the positive influence of consumption on production. That is, we should bring the consumption level into line with the production level through encouraging or restraining this or that consumption trend by taking measures in the taxation, pricing, monetary, and service aspects so that consumption can effectively stimulate the development of production. It seems that the formulation of systematic consumption policies should give expression to the following principles: First, people's growing needs in their material and cultural lives should be continuously satisfied on the basis of production development so as to realize the purpose of socialist production. Second, the people's income and the social welfare level should grow at an appropriate speed. The people's average income in our country will remain at a low level as compared with other countries in the world. It is expected that by the mid-21st century, China's population will reach 1.4 billion people, but the per capita GNP will be a mere \$4,000. So people's income should increase gradually and should not grow faster than the growth in labor productivity. In addition, the distribution of incomes should be fair and reasonable, and the distribution system should be rationalized. Third, consumption guidance and consumption adjustment should be included in the policies. Fourth, our nation's fine tradition of diligence and frugality should be maintained.

Paper Urges Two-Way Trade in Technology
HK031410 Beijing GUOJI SHANGBAO in Chinese
19 Nov 87 p 1

[Article by Wang Zhixi (3076 3112 3556), deputy director of the Technology Import and Export Bureau under the Ministry of Foreign Economic Relations and Trade: "China's Foreign Trade in Technology Must Be Two-Way"]

[Text] A country's foreign trade must be two-way. Moreover, expansion in import trade can only be achieved on the basis of expanded export trade. Therefore, in light of its own conditions and strengths, every country adopts

various means of encouragement to boost exports. Trade in technology is part of foreign trade. With science and technology developing by leaps and bounds and their role becoming increasingly important in the development of the national economy, each country intends to learn from others' strong points in technology for its own use. Technology-holding countries expand their trade and economic relations with other countries by exporting their technology. This being the case, international trade in technology has been developing very rapidly. The importance of the trade has also been widely acknowledged by the world community. Of course, as far as developing countries are concerned, handicapped by their own scientific and technological levels, developing countries need to energetically import foreign technology but since they have limited technology available for export, generally speaking, their import-export trade in technology with other countries is imbalanced, with import surpassing export. This is understandable. Ours is a developing country. Since our country adopted the policy of opening to the outside world, its trade in technology with other countries has developed very rapidly. China has imported large quantities of advanced technology ever since, promoting scientific and technological progress and economic development and bringing about tremendous results. Our country's active and energetic importation of foreign technology shows the enthusiasm and determination of the Chinese people to work hard to learn advanced technology from other countries so as to speed up the four modernizations and to catch up and surpass the world advanced technological levels, after having lost 10 years precious time during the catastrophic "Great Cultural Revolution." However, we have not done well in technology export—one aspect of the trade in technology with foreign countries. The main cause for this state of affairs, as I see it, is that while aware of the importance of importing foreign technology and the urgent needs for foreign advanced technology, we lacked a proper understanding of the necessity of exporting technology and thus paid inadequate attention to it. For quite some time, we have been used to engaging in trade in general commodities and giving economic and technical assistance to and conducting gratis economic exchanges with other countries. Therefore, we failed to understand that technology export was part and parcel of foreign trade in technology and that we should also export technology as a commodity and technology export should become a channel of earning foreign exchange. Another reason was that we underestimated our own capabilities. In the eyes of some comrades, our country is backward in science and technology and whether we can export our own technology remains a problem. It seems that in trading in technology with foreign countries, we can only play the part of buyers. This phenomenon may be unavoidable under certain historical conditions and at certain times. However, if we long neglect technology export, especially now when our country's scientific and technological levels are continuously increasing and there is an urgent need to

change the export commodity structure and if we fail to make conscientious and energetic efforts to develop technology export, it would be most unwise.

It is in fact not difficult to understand the importance of technology export. To accelerate the four modernizations program, it is necessary to energetically develop foreign trade and economic and technological cooperation. The key to developing economic relations and trade with foreign countries lies in expansion of exports. To attain major successes in export trade, efforts should be made to change our export commodity structure and to greatly increase the proportion of technology in export commodities. To achieve this goal, the only way is to vigorously develop technology export. Moreover, technology export can promote the development of domestic technology. This is why we stress the importance of technology export.

Since the 1950's, we have provided other countries with large amounts of economic and technical assistance and exported a considerable amount of technology in the form of government-to-government scientific and technological cooperation. Although all this cannot be considered trade in technology, it indicates that we not only can, but have always been, exporting technology. Especially in the last 10 years, with the rapid improvement of our economic and technological levels, we have continuously enhanced our capability to export technology. Our technology in some fields has attracted the attention of quite a number of countries (including some developed countries) and some of our technologies have been exported through trade channels. Of course, exporting technology through trade channels is new for us. We have just started, one might say. Gratifying is that over the last 2 years, we have begun to carry out work in this respect conscientiously and in an organized way. Last year the State Council clearly instructed the Ministry of Foreign Economic Relations and Trade and the State Science and Technology Commission to jointly manage the work. Last August we held a national conference on technology export management work. This is an indicator that our work in technology export has been conducted in an organized and planned way. Now various departments, provinces, and cities have attached importance to this work, carrying out the work with enthusiasm. Vying with one another, they have prepared export technological items and taken encouraging steps to gradually put an end to the situation in which trade in technology is characterized by import without export. The Technology Export Hall in the Guangzhou Export Commodities Fair run by the the China Technology Import and Export General Company on behalf of the Ministry of Foreign Economic Relations and Trade has sponsored three exhibitions, attracting greater and greater attention from among friends throughout the world and producing better and better results. Moreover, to open up a nationwide permanent showcase for trade in technology, next year (in the second half), the Ministry of Foreign Economic Relations and Trade and the State

Science and Technology Commission will begin to sponsor a "China Foreign Trade in Technology Exposition" in Shenzhen every year, with the stress on technology export. At the same time, foreign firms are welcome to exhibit their advanced technologies in the fair and to promote sales. This will help us combine export with import. The "China Industrial Technology Export Exposition" soon to be held in Hong Kong is an effort on our part to introduce our technology into the world market. It is our hope that the activity will serve as a big boost to our technology export.

Our country has potential in technology export. With the continued economic and technological development, plus our continued efforts in this work, the potential will be gradually tapped. The continued development of the intelligence of 1 billion Chinese people is the endless source of technology export. Of course, in terms of the current situation, although we have some conditions in technology export, generally speaking, there is still a fairly big gap between our scientific and technological and economic levels and those of developed countries. Therefore, we are still not justified in saying we already have mighty strength and superiority in the technology export sector. Moreover, technology export is a very complicated undertaking. Apart from lacking experience in this regard, we are still confronted with difficulties, such as scanty information and lack of free-flowing channels. In view of these inadequacies, we can hardly take big strides in our technology export overnight. A balance between the import and export in trade in technology cannot be achieved in a short time and the phenomenon of import exceeding export will last for a long time. Nevertheless, we can say now that our country's current import-predominant, one-way trade in technology is moving to a two-way trading pattern. Not only will we continue to import large quantities of foreign advanced and applicable technology but we are also convinced that we will steadily enter world markets with our own technology through trade channels.

First PRC Technology Fair Opens in Hong Kong
HK040629 Hong Kong TA KUNG PAO in English
3 Dec 87 p 16

[Text] More than 1,600 items of new technology and related products will be put on display at the first-ever China Industrial Technology Export Fair to be held at the Hong Kong Exhibition Center 4-13 December.

Organized by the Chinese Ministry of Foreign Economic Relations and Trade (CMFERT), the fair is sponsored by China National Machinery & Equipment Import & Export Corporation, Hong Kong Trade Development Council and China Resources Advertising Company.

At a press briefing held in town on 2 December, Mr Shen Jueren, Assistant Minister of CMFERT, said that 22 Chinese export corporations will be participating in the fair. The items on show will include those products

concerning metallurgy, machinery, petroleum, electronics medicine and chemicals. Twenty percent of the exhibits have been granted either patents or invention awards at home and abroad.

The micro-type multi-purpose cardiac emergency instrument is outstanding among an array of new products. It can catheterize the micro-electrode into the heart cavity to bring about low energy defibrillation and to stimulate heart pulsation within one minute. Fitted with an EKG indicator, it is small in size, light in weight and easy to operate. It is by far the smallest cardiac emergency treatment device in the world.

Also noteworthy is a 15-tonne slide block single rope poly-jaw grab bucket. It can replace manpower in loading and unloading pig iron and extremely heavy and huge goods under adverse circumstances such as high temperature, severe cold and pollution. Experiment shows that its efficiency rate is 8.8 times higher than manpower, thus greatly cutting down manual labour. The grab bucket was the gold medal winner of the 15th International Invention Expo in Geneva this year.

Shen said that the purpose of the coming fair is to promote China's technology export through sample displays and business discussions.

In order to strengthen China's trade on technology, a national exhibition featuring technology exchange with foreign countries will be held in Shenzhen annually starting next year, Shen disclosed.

Western countries are welcome to display their advanced technologies at the exhibition which is jointly run by the CMFERT and the State Science and Technology Commission. Meanwhile, a seminar will be held in conjunction with the coming fair. Mr I. H. Kuo, vice-chairman of the Chinese General Chamber of Commerce, will open the seminar. A talk will be given by Mr Shen Jweren on 'The application of foreign capital in China's economic development and technology trade'.

The seminar will take place at the assembly hall of the Chinese General Chamber of Commerce 10:30 a.m. to 12 noon on 4 December.

Shenzhen Land Auction Raises 5 Million Yuan
HK040653 Hong Kong TA KUNG PAO in English
3 Dec 87 p 6

[By Chen Laifu, in Shenzhen]

[Text] The first piece of land offered for public auction in China since 1949 was sold at the price of 5.25 million yuan (U.S.\$1.41 million) in the Shenzhen Special Economic Zone (SEZ) on 1 December.

A local developer, the Shenzhen Real Estate Company, won the 8,588-sq-m residential site after heated bidding.

The final bid was 3.25 billion yuan higher than the original asking price of 2 million yuan. Visibly pleased, the chief auctioneer, Mr Liu Jiasheng, said he had only expected 3 million yuan.

Vice Mayor of Shenzhen Li Chuan-fang disclosed that more plots would be offered for auction next year, and foreign companies would be welcome to take part.

At the recent auction, only Shenzhen-registered companies were allowed to join the bidding. Among the 43 competitors were 11 Sino-foreign joint ventures.

Hours before the bidding opened, the city hall, where the auction took place, was packed with prospective buyers and a large contingent of 70 mainland and Hong Kong reporters.

The newly elected member of the CCP [Chinese Communist Party] Political Bureau, Li Tieying who heads the State Commission for Restructuring Economy, Mayor of Shenzhen Li Hao and 17 mayors from other cities were on hand to watch the landmark transaction.

A delegation of 21 architects and engineers from neighbouring Hong Kong was also present.

The unprecedented auction began with a detailed explanation of the auction regulations by a responsible official of the SEZ.

About 20 eager bidders then held up their number plates at once to enter the bidding.

Loud applause broke out when the hammer went down for the last time after the Shenzhen Real Estate Company offered 5.25 million yuan.

Luo Jinxing, general manager of the winning company, told reporters after signing the contract that he didn't think the price was too high and his company would have no difficulty in raising the money.

Luo calculated that the purchase came to 611 yuan (U.S.\$165) per sq m. His company plans to build a complex of eight-storeyed apartments on the site at an estimated cost of 400 yuan (U.S.\$108) per sq m.

The total per-sq-m construction cost would be around 800 yuan (U.S.\$216), he disclosed.

As the price at which these flats would eventually be sold will be around 920 yuan (U.S.\$248), this will still allow a profit rate of 10 to 12 percent.

The regulations of the sale of land-use right in the SEZ limit the profit rate to 15 percent.

As with the two previous land deals concluded in Shenzhen since September, the term of the lease is 50 years.

Shenzhen is designated by Beijing to pioneer in the reform of China's land management system. The hitherto practice of allocating land to enterprises free of charge is considered not only wasteful but also obstructive to the development of the commodity-oriented economy.

The two previous lands deals were concluded in different forms of bidding. In September, the Shenzhen SEZ government sold an industrial site to a local company at the price of 200 yuan (U.S.\$54) per sq m through consultative bidding. Two months later, a residential site was sold to another SEZ firm at the price of 368 yuan (U.S.\$99) per sq m through invitational bidding.

It is learned that the cities of Shanghai, Tianjin and Guangzhou and Hainan Island are also authorized to proceed with similar land transactions.

It is widely believed that the introduction of land-use right sales in selected Chinese cities has opened up broad avenues to raise the needed funds for infrastructural projects. The successful auction in Shenzhen is also expected to contribute to more efficient use of urban land.

Since 1983, China has tried to reform its land management system by collecting land-use fees from users in some cities. The method has helped to check the wasteful use of land.

In the northeastern city of Fushun, a total of 250,000 sq m of idle land was reverted to the municipal government in the past three years. The space is enough to construct 17 new enterprises.

LIAOWANG Reviews Ways To Solve Grain Problem
HK041304 Beijing LIAOWANG in Chinese No 47,
23 Nov 87 p 5

[Article by LIAOWANG reporter: "Ideas about Solving the Grain Problem"]

[Text] Comrade Zhao Ziyang pointed out in his report to the 13th Party Congress: "We must attach great importance to grain production, and strive to substantially increase grain output in the next 10 years. This is a basic condition for the realization of our strategic objective by the end of this century." So, what should we do to strive for a substantial increase in the grain output? Recently, some people concerned have put forth the following proposals when discussing this issue:

—Enlarging the scale of agricultural operations. On the basis of stabilizing the contract system, we can gradually turn the current scattered household operations under contracts into some forms of farming operations on a larger scale when conditions are ripe. The per capita area of farm land in many countries, such as Japan and the Netherlands, is even smaller than that in our country; and the per capita area of farm land in the EC countries

is almost the same as ours. But they have basically achieved self-sufficiency in grain. As many colonies became independent after World War II, the capitalist countries were then forced to produce grain on their own land, and they have now greatly raised the rate of self-sufficiency in grain. Their main approach is to conduct intensive farming operations, making high input to achieve high output by making full use of the new technologies and research results. To substantially improve agricultural operations in most areas in our country, we need to appropriately enlarge their scale to enable us to effectively increase input and advance the process of intensifying agricultural operations and turning them into enterprise operations.

—Streamlining the labor force in the countryside. If we can shift 100 million laborers from the farming industry to non-farming industries by the end of this century, we will be able to mitigate the contradiction between too many people and insufficient farm land. A reduction in the agricultural population means an increase in land. Only by reducing the labor force engaged in agriculture can we realize large-scale operations and mechanization in agriculture. In the capitalist countries, the bankruptcy of large numbers of peasants resulted in turning the agricultural population into urban proletarians so that intensive operations could be realized. We cannot follow this road. Our method is to change the rural production structure, reduce the labor force engaged in agriculture, and increase employment in the secondary and tertiary industries in the countryside by developing township and village enterprises. This should be part of the state's long-term development strategy. Urban industries should contribute some resources, energy, raw materials, and funds for the development of the rural enterprises.

—Rationalizing the grain price. At present, those who plant grain crops will earn less than people producing other things. This is the crux of the grain problem. If grain is purchased at a low price, peasants will not be keen on planting grain crops; but as the price is low, this may stimulate people's consumption desire and encourage extravagant consumption behavior. Without changing this state of affairs, the grain problem cannot be thoroughly solved. However, the grain price is related to many other issues, and it is not possible to adjust the grain price to a reasonable level in a short time. Therefore, we should adopt some expedient measures to ensure benefit to the grain growers and to restrain the swelling consumption demand of the consumers and particularly to prevent waste. To achieve this, we need to conduct necessary education among the people, and adopt necessary economic retrenchment measures.

—Coordinating production and consumption. At present, we see this contradictory phenomenon: On the one hand, grain consumption is growing freely; on the other, grain production can only be increased to a very limited degree. Such a state of affairs certainly cannot last long. For example, the current consumption of

liquor made with grain is growing rapidly. This consumes more than 10 million tons of grain a year. If we do not correct this consumption trend, there will certainly be a serious imbalance between production and consumption. We must first guarantee the supply of staple food, meat, poultry, eggs, milk, and fish and must first satisfy the people's requirement of 2,700 calories a day. So we must keep the consumption level within the limits of the production capacity. At present, some people in society tend to "use money before they earn it." We should not merely regard this as a form of consumption psychology, but should also notice the socioeconomic factors causing such consumption behavior. We should mainly use economic means to guide the consumption trend.

In short, the grain problem is a problem appearing in the course of reform and advances. There can be two options to solve this problem. One is to backtrack to the old practice and system of the "state monopoly purchase and marketing of all grain products," but our experience has shown that this way is inadvisable; the other is to carry on and quicken our reforms and solve this problem by turning our country from an agricultural country into an industrial country. We should select the latter way.

Compulsory Labor System To Aid Irrigation
HK040913 Beijing CHINA DAILY in English 4 Dec 87
p 1

[By staff reporter Nie Lisheng]

[Text] A new compulsory labour service system is being introduced in China's rural areas to organize farmers to repair and improve old water facilities.

The system is part of the national effort to step up production by increasing irrigated farmland, which shrank by an annual average of nearly 200,000 hectares between 1981 and 1985 and by 62,000 hectares in 1986.

Under the system, each rural labourer is required to spend 10 to 20 working days each year repairing or building irrigation and drainage facilities, flood-control and river dredging projects, small hydropower stations, or drinking water installations.

Local governments in eight provinces, autonomous regions and municipalities have issued regulations this year introducing this compulsory labour system for irrigation work. Most work brigades will be organized in the slack farming season during the winter and early spring.

More areas of the country will adopt the system soon in accordance with a State Council circular last year, an official of the Ministry of Water Resources and Electric Power said yesterday.

He said the General Office of the State Council approved in October a report of the ministry on the development of water conservation and issued a circular urging local governments to speed up farmland irrigation construction.

China now has a total of 48 million hectares of irrigated farmland, nearly half of the country's total farmland. But about two-thirds of its crop output comes from these irrigated areas, the report said.

Mostly built in the 1950s and 1960s, the country's irrigation system is getting old and needs repair, the report said. The water shortage in North China has become acute.

Last year, the irrigated areas continued to shrink partly because of the poor performance of old water installations and partly because of man-made damage.

By 1990, the report said, China plans to increase its irrigated farmland by 1.33 million hectares; and in the Eighth Five-Year Plan (1991-95), it aims to expand irrigated land by 2.66 million hectares.

These planned increases will be achieved mainly through the repair and improvement of the existing waterworks, although some new projects will also be built where irrigation is still not well developed, the report said.

The focus of the irrigation construction in the near future will be on low-yield fields because such fields can produce quick economic results without much investment and labour input, the report said.

Special efforts will be made to build more drainage routes and river embankments on these low-yield fields, which are prone to waterlogging and floods.

Irrigation will be expanded to cover more farmland on mountain slopes, the report said. China has more than 33 million hectares of farmland on mountain slopes and it plans to change half of them into terraced fields with irrigation access.

The report also proposed that more State and local funds should be allocated for the repair and construction of waterworks.

During the Seventh Five-Year Plan (1986-90), a considerable part of the annual 1 billion yuan of State special funds for grain production should be set aside to support irrigation and part of the State taxes imposed on farmland that has been turned into non-farm use should also be used to support water projects.

To save more labour for other uses, the report also suggested the wide use of mechanized irrigation facilities, saying that mechanization is a much more efficient way to manage water installations.

East Region

Han Peixin On Jiangsu Economic Development

*OW040821 Nanjing Jiangsu Provincial Service
in Mandarin 2300 GMT 2 Dec 87*

[Text] According to a *Xinhua Ribao* report, Han Peixin, secretary of the Jiangsu Provincial CPC Committee, pointed out at a recent meeting of the Jiangsu Provincial CPC Committee: According to the economic development strategy laid down by the 13th CPC National Congress and the important speech by General Secretary Zhao Ziyang during his recent inspection tour of Suzhou, Jiangsu Province should open up a new horizon in economic development. It should adhere to the policy of basing economic development on agriculture, and strive to make new breakthroughs in the application of science and technology and in developing an export-oriented economy.

The meeting was convened by the provincial party committee on 1 December and attended by responsible officials of relevant departments of Jiangsu Province. Zhao Ziyang pointed out: Coastal areas, the Chang Jiang Delta, and Zhu Jiang Delta areas must develop an export-oriented economy, fully rely on township and town enterprises to produce labor-intensive commodities, and increase foreign trade and exports.

Han Peixin said: These important remarks by Comrade Zhao Ziyang have imposed a greater demand on further economic development in Jiangsu, and pointed out the focus and starting point of this development. We should regard the efforts to develop an export-oriented economy as an important strategic measure to scale new heights in economic development. Han Peixin pointed out: Jiangsu is a province based on processing industry. Our raw materials come from other localities, and our markets also lie in other localities. In the face of the current shortage of raw materials in domestic markets, we have to set our sights on international markets for both raw materials and finished products. Only by taking part in international exchanges and competition can we find a way out for our economic development.

Shandong CPPCC Committee Meeting Concludes

*SK040458 Jinan Shandong Provincial Service
in Mandarin 2300 GMT 3 Dec 87*

[Excerpts] After 5 days in session, the 23d Standing Committee meeting of the 5th Shandong Provincial CPPCC Committee ended in Jinan on the afternoon of 3 December.

During the meeting, CPPCC members deeply studied the documents adopted at the 13th Party Congress, heard a recording of a tea party for nonparty people sponsored by the CPC Central Committee, conscientiously discussed Comrade Zhao Ziyang's important speech at the tea party, and exchanged experiences in

studying the documents adopted at the 13th Party Congress gained in the previous stage. The meeting adopted a resolution on studying and implementing the guidelines of the 13th Party Congress. Through democratic consultation, the meeting defined the namelists of members of the sixth provincial CPPCC committee and approved personnel appointments.

Li Zichao, chairman of the provincial CPPCC committee, gave a speech on the current CPPCC work at the meeting. [passage omitted]

Zhou Zhenxing, vice chairman of the provincial CPPCC committee, presided over the meeting. Attending the meeting were some vice chairmen of the provincial CPPCC committee, including Zhou Xingfu, Xu Meisheng, Zhang Weicen, Xu Wenyuan, Ding Fangming, Jin Baozhen, Liu Yong, and Yang Da.

Shanghai Starts 9-Year Compulsory Education

*OW040839 Beijing XINHUA in English 0856 GMT
3 Dec 87*

[Text] Beijing, December 3 (XINHUA)—Initial results have been scored in popularizing 9-year compulsory education in China's leading industrial city of Shanghai since 1978.

To date, 82 percent of young people with ages ranging from 16 to 1 in Shanghai have had 9 years of education, reports the current issue of "*China Education News*."

In urban districts, almost all school-age children have completed junior middle school courses and 98 percent of the graduates have entered senior middle school. Primary education is being spread in rural areas.

In addition, the city has built 106 vocational and technical schools and 201 vocational classes at ordinary middle schools, with more than 17,000 teachers. This provides a wide range of choices for junior middle school graduates to select their future professions, the paper said.

Efforts have been made to reform the education system and teaching materials in a bid to cultivate students' ability to analyze and solve concrete problems independently.

Some schools have begun to run factories to improve teachers' material benefits and teaching facilities. This measure helps schools make financial contributions to society and at the same time teaches pupils certain kinds of professional skills after class.

Shanghai Enterprises Use More Legal Advisers
HK040633 Hong Kong TA KUNG PAO in English
3 Dec 87 p 6

[Text] More and more enterprises in Shanghai, China's biggest industrial city, are turning to lawyers for help in managing business, making decisions, and particularly settling economic disputes.

Today about 5,000 enterprises, half of the city's total, have legal advisors on staff nearly 10 times the number (540) of only three years ago.

"The enterprises cannot do without legal advisors since they have become our important think tank," said Zhang Chonglie, director of the Zhengtai Rubber Plant whose 'Meridian' brand tyres are sold on world markets.

The plant used to lose money over improper handling of contracts. Lawyers were invited in, helped the plant set up a special branch to deal with contracts, and gave lectures on contract law to factory employees.

As a result, contracts are better fulfilled and losses reduced.

"Legal advisors no longer simply act as agents and arbitrators," said Li Shutang, vice president of the Shanghai Lawyers' Association. "They serve more like directors who provide guidance."

He called the change a landmark in enterprise legal advisory work.

To date, Shanghai has 44 law firms with about 1,300 lawyers.

Li said the major work of legal advisors is to help enterprises make regulations. For example, a lack of regulations adversely affected the handling capacity of the Shanghai port since cargo owners were not held to account nor penalized for letting goods pile up on the dock.

With the help of two legal advisors, regulations dealing with the problem were drafted and approved by the city's standing committee of the people's congress. As a consequence the handling capacity has increased 13 percent. The annual capacity exceeded 120 million tonnes last year.

New port authorities have a rule that all the contracts must be checked out by the legal advisors.

Lawyers are also helping clients become more aware of the law. With the help of legal advisors, a businessman representing a shopping centre won a lawsuit over the quality of garments made by a Jiangsu factory.

More and more 'legal consultant offices' have sprung up in enterprises. The consultants, mostly employees with both managerial and legal knowledge, cooperate with lawyers on economic disputes.

The legal consultant office in Shanghai Baoshan Steel Works once helped recoup a 140-million-yuan debt. Another consultant office in the No 5 Steel and Iron Works has settled nearly 100 disputes and recovered several million yuan losses.

Legal advisors have benefited workers, too. They helped recover U.S. \$1 million in back wages which foreign shipowners owed five groups of crew members from the Shanghai Ocean Shipping Bureau.

"Seeking help from lawyers is an inevitable outcome of the reform," said Sun Jinfu, head of the Wusong district.

"With the development of a socialist commodity economy and the expansion of interregional cooperation, legal means rather than administrative measures will play a dominant role in government management, especially in economic affairs," he said.

Central-South Region

Guangzhou Commander Addresses Region
HK031558 Guangzhou Guangdong Provincial Service
in Mandarin 1030 GMT 3 Dec 87

[Text] This morning, the Guangzhou Military Region held a report meeting to study the spirit of 13th CPC National Congress. (Zhang Wannian), the new commander of the Guangzhou Military Region appointed by the Central Military Commission, spoke at the meeting.

Commander (Zhang Wannian) said: This new assignment the Central Military Commission has given me is a product of the organization's trust in me. He indicated that in the future he would frequently ask the military region's old leaders and elders for advice. In order to do his work more successfully and to avoid mistakes, he would also consult the comrades of the military region's leading body and discuss with them any problems encountered. He pointed out the need to approach work in a reformist spirit. In addition, he asked the military region's cadres and fighters to properly study the spirit of the 13th CPC National Congress, be united as one, work hard, try to make the building of the military region a success, and strive to fulfill the historical tasks assigned by the party and the people.

Guangzhou Encourages Assembling Industry
OW031835 Beijing XINHUA in English 1555 GMT
3 Dec 87

[Text] Guangzhou, December 3 (XINHUA)—The Guangzhou Government has decided to offer more preferential policies for enterprises assembling and processing foreign materials.

"The policies aim to expand the industry to meet the demand of the international market," an official of the city's Commission of Foreign Economic Relations and trade said.

The emphasis will be on attracting manufacturers of consumer goods and textile products such as shoes, garments, toys, and electrical appliances.

The government will set up a special district for the enterprises, will give priority for loans to improve working conditions, and will lower taxes for those companies set up by foreign investment, he said.

The government will waive taxes for three years on income earned by processing foreign materials and will continue to reduce or waive the tax after that time if the enterprise is having difficulty to pay, the official said.

There will be no customs tariff on motor vehicles used by the enterprises in business operations but cars and mini-buses are excluded.

The enterprises may invite foreign businessmen to supervise the assembling and processing provided they abide by the Chinese law and administrative regulations, he said.

Shenzhen Auctions Right of Land Use

HK041005 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 2 Dec 87

[Text] For the first time, the Shenzhen Special Economic Zone conducted a public auction of land use right. Some 43 Chinese companies participated in the auction held on the afternoon of 1 December. After fierce competition, the Shenzhen Special Economic Zone Real Estate Company acquired a lot of 8,000 square meters for residential use at the highest bidding price of 5.25 million yuan. The time limit for using the land is 50 years.

Wuhan Absorbs U.S.\$100 Million Foreign Funds

HK040603 Hong Kong TA KUNG PAO in English 3 Dec 87 p 4

[Text] Wuhan, capital of Hubei Province and a major industrial city in Central China, has signed 96 agreements to utilize more than U.S.\$100 million of foreign funds over the past few years, according to Vice-Mayor Liu Zeqing.

The foreign funds were obtained through joint investment, cooperative production, foreign government loans, international leasing, and compensation trade.

Liu said a total of 16 foreign-funded businesses have been put into operation with a combined output value of more than 55 million yuan (about U.S.\$15 million).

So far these foreign-funded enterprises have provided the State with 3.5 million yuan in taxes and generated 7.5 million yuan in profits, said the vice-mayor.

The foreign-funded projects which have been launched in Wuhan cover metallurgy, machinery, electronics, telecommunications, light industry, handicrafts, foodstuffs, construction, motor vehicle maintenance, hotels and other service undertakings.

Hunan Meeting on Cadre Education Reform

HK031355 Changsha Hunan Provincial Service in Mandarin 2300 GMT 28 Nov 87

[Excerpts] A provincial discussion meeting on reform of education for cadres was held in the party school of the provincial party committee from 24 to 28 November. With the spirit of the 13th CPC National Congress as guidance, the discussion meeting studied the method of speeding up and deepening reform of education for cadres.

The cadre education work of our province has developed relatively quickly over the past few years. At present, a cadre training network composed of 125 party schools at and above the county level and 68 cadre schools has been formed. On the strength of the party and cadres schools, and cadre special courses at universities and secondary vocational schools, the province has trained some 36,000 cadres to the cultural standard equivalent of a university standard or above. Some 80,000 cadres have attained the cultural standard equivalent of a secondary vocational school or senior middle school education. The province has also trained a large number of cadres by rotation, effectively improving the quality of the ranks of cadres.

Liu Fusheng, deputy secretary of the provincial party committee, spoke at the discussion meeting. He pointed out: In the wake of reform of the political structure and of the readjustment of the cadre structure, the tasks of cadre education will be more and more arduous. From the plane of the strategy of implementing the basic party line at the initial stage of socialism, we must strengthen cadre education and training. At the same time, we must deepen reform of education according to the spirit of the 13th CPC National Congress on improving the quality of the cadres. [passage omitted]

Under the guiding ideology of education, we must now shift the importance attached to the universal improvement of the cultural standard of the cadres to the importance attached to the improvement of the cadres' political and professional quality and their working ability.

Hunan CPPCC Laments Cheng Xingling's Death

HK040343 Changsha Hunan Provincial Service in Mandarin 0100 GMT 2 Dec 87

[Excerpts] The 23d meeting of the 5th provincial CPPCC committee Standing Committee was held yesterday in Changsha. [passage omitted] During yesterday's meeting, Yin Changmin, CPC Central Committee alternate

member and vice chairman of the provincial CPPCC committee, delivered a speech on studying and implementing the spirit of the 13th National CPC Congress, and on further promoting political consultative work.

During the meeting Zhou Zheng, vice chairman of the provincial CPPCC committee, relayed the spirit of the 16th Standing Committee meeting of the 6th CPPCC National Committee. He also relayed the spirit of the forum held by the CPPCC National Committee on the work of CPPCC committee chairmen in all provinces, autonomous regions, and municipalities directly under the central government.

Yesterday's opening ceremony was presided over by Tong Ying, vice chairman of the provincial CPPCC committee. [passage omitted] Prior to the opening of the meeting, all participating members expressed their heartfelt condolences on the recent death of Cheng Xingling, chairman of the provincial CPPCC committee.

Southwest Region

Guizhou's Hu Jintao on Enterprise Reform

HK040129 Guiyang Guizhou Provincial Service
in Mandarin 2300 GMT 30 Nov 87

[Excerpts] On 29 November, provincial party committee Secretary Hu Jintao held a dialogue with Guizhou delegates to the fourth annual meeting of the China Society for Study of Factory Directors and Managers' Work. Hu discussed with the delegates the overall plan formulated by the provincial party committee and provincial government for reinvigorating enterprises in 1988. The following is a recording of Hu Jintao's speech at the 29 November meeting:

[Begin Hu recording] The theme of the 13th National Party Congress is to speed up and deepen reform. [passage omitted]

With the implementation of the system of factory director's responsibility we must further deepen leadership structure reform in our enterprises and clarify the distinction between party and management functions in enterprises. In other words, reform of the political structure and the separation of party and government should be carried out in enterprises. Implementing the factory director's responsibility system means ensuring the factory director's central position. It is absolutely forbidden to use the factory director's responsibility system in name only while in reality continuing to promote the factory director's responsibility system under the factory party committee leadership. Of course, this requires a process in transformation, and problems in this regard cannot be solved overnight. Many technical issues in this regard remain to be studied. [passage omitted]

Irrational distribution and wide gaps between different parties in enterprises cannot be completely ruled out. However, the principal contradictions within our enterprises are still the problem of everyone "eating from the same big pot," and egalitarianism. [passage omitted] The central authorities have clearly defined the guiding principles for next year's overall economic work, namely, to achieve sustained and steady economic development, and to improve the beneficial results of reform. Our province must implement these guiding principles. [passage omitted] [end recording]

Xizang Leader Calls for More Foreign Trade

HK040153 Lhasa Xizang Regional Service
in Mandarin 1430 GMT 1 Dec 87

[Excerpts] On the afternoon of 30 November, Mao Rubai, vice chairman of the autonomous regional people's government, delivered a speech at a regional conference on foreign economic relations and trade planning work. He said: Since the beginning of this year the whole region's foreign trade work has always centered on energetically paying close attention to export commodity sources, increasing foreign exchange earnings, spending foreign exchange income successfully and in a lively way, and actively striving for international support. Remarkable successes have been achieved in this regard. According to statistics, by the end of October this year the region's foreign exchange income from export had reached \$7.13 million, thus fulfilling the annual plan 2 months ahead of schedule. The region's foreign exchange income from exports this year increased by 46 percent as compared with the same period last year. This has laid solid foundations to enable our region's annual foreign exchange income from exports to reach \$10 million at an early date. [passage omitted]

Vice Chairman Mao Rubai noted: In 1988, our regional department of foreign economic relations and trade must further increase its ability to achieve higher foreign exchange income from exports, make new breakthroughs in the variety of export commodities, strengthen foundation work regarding economic and technical cooperation with foreign countries, and strive to score new achievements in winning international support.

The regional conference on foreign economic relations and trade planning work, which opened on 28 November at the regional department for foreign economic relations and trade, concluded on 1 December.

Northwest Region

Gansu's Li Ziqi Addresses Provincial Party

HK031450 Lanzhou Gansu Provincial Service
in Mandarin 1100 GMT 1 Dec 87

[Excerpt] The enlarged meeting of the seventh plenary session of the sixth provincial party committee concluded today. The meeting stressed: We must have a stronger sense of urgency in improving the features of

Gansu, display the spirit of working hard and doing pioneering work, and strive by every means to basically solve within 3 years the province's problem of not having enough to eat and wear. This enlarged meeting lasted 6 days. On the basis of conveying and studying the spirit of the 13th National Party Congress, the meeting discussed and studied suggestions for implementing the spirit of the congress, and decided on the guiding ideology, focal points, and goals of the reform and construction to be carried out in our province in the next few years.

In his speech delivered at the conclusion of the meeting, Comrade Li Ziqi said: Implementing the spirit of the 13th National Party Congress is our central task for a long period of time. We must make unremitting efforts to implement this spirit. The key to successfully implementing the spirit of the 13th National Party Congress lies in upholding the integration of theory and practice. [passage omitted]

Ningxia's Shen Calls Calls for Rural Reform
HK040637 Yinchuan Ningxia Regional Service
in Mandarin 0000 GMT 2 Dec 87

[Excerpts] In his speech at a regional forum on conducting experimental rural reform at selected points, Shen Daren, secretary of the autonomous regional party committee, stressed: As far as our rural work is concerned, deepening rural reform is a task of primary importance. He demanded that all areas seek unity of thinking through the spirit of the 13th National Party Congress and pay close attention to making arrangements for the deepening of rural reform.

He added: In studying and implementing the spirit of the 13th National Party Congress, we must conduct throughout the region an extensive reeducation in the rural situation, the significance of rural reform, and the principle that agriculture is the foundation of the national economy. In addition, we must closely integrate this reeducation with education in the basic line regarding the initial stage of socialism and promote in-depth expansion of our rural reform and rural economy.

The regional forum on conducting experimental rural reform at selected points was sponsored by the rural work department of the autonomous regional party committee. The forum ended on 28 November. [passage omitted]

Listening to speeches at the forum were responsible comrades Shen Daren, Xue Hongfu, Ma Sizhong, Cai Zhulin, (Zhu Weiji), and (Chen Yingbo). [passage omitted]

Comrade Shen Daren said: To deepen our current rural reform, we must do well in carrying out three major tasks.

First, we must stabilize relations with agricultural contractors. The crux of the matter is to perfect contracts regarding contracted land as well as relations between those engaged in contracting out land and land contractors.

Second, we must firmly and successfully grasp reform of the system for managing township and town enterprises. To reform this system, we must first perfect the contracted system. We must lead the competitive mechanism into the contracted tasks of enterprises, improve relations between government and enterprises, reinvigorate the economy, and improve beneficial results.

Third, we must organize the peasants to enter the channels for commodity circulation. Although this work is difficult, we must do well in grasping it. [passage omitted]

Qinghai's Yin Addresses Scholars, Experts
HK040255 Xining Qinghai Provincial Service
in Mandarin 0430 GMT 2 Dec 87

[Excerpts] According to *Qinghai Ribao*, on 30 November Yin Kesheng, provincial party committee secretary, Chen Yunfeng, provincial party committee Standing Committee member, and some other comrades invited a number of our province's experts and scholars to attend a forum on the theory of the initial stage of socialism. In close connection with the reality in Qinghai, they summed up experiences and lessons, further analyzed and achieved a deeper understanding of the provincial conditions, and jointly discussed ways to speed up reform as well as economic expansion, which is a great undertaking in our province. [passage omitted]

In his speech at the forum, Yin Kesheng said: Under the guidance of the spirit of the 13th National Party Congress, we must persist in proceeding from Qinghai's real conditions. In carrying out the policy on reform and opening up we must further emancipate our minds, be bolder, formulate policies that conform to reality in Qinghai, and ensure the implementation of such policies through the establishment of related institutions. [passage omitted]

Over 7,000 Taiwanese Visit China in November
*OW040115 Beijing XINHUA Domestic Service in
Chinese 0901 GMT 3 Dec 87*

[Text] Beijing, 3 Dec (XINHUA)—Our reporter has learned from a spokesman of the Ministry of Public Security today that from 2 November to 1 December, China's various border checkpoints saw more than 13,000 Taiwan compatriots enter or leave China. There were 7,664 entries and 5,677 departures. Most of them entered or left China at the ports in Shenzhen, Guangzhou, and Gongbei.

The spokesman pointed out: In order to do a good job in receiving Taiwan compatriots, China's various border

checkpoints have set up special passageways and special windows or counters to answer questions and help them solve their problems. All this has made things convenient for the Taiwan compatriots to enter or leave China, winning wide acclaim from them.

Taiwanese Visit Guangdong Province
*HK040955 Guangzhou Guangdong Provincial Service
in Mandarin 0400 GMT 2 Dec 87*

[Excerpt] Since 2 November, more than 3,000 Taiwanese compatriots have entered China through the port of Guangzhou to reunite with their family members for the first time in 30-odd years. [passage omitted]

Mainland Boats Intrude Into Island Waters
OW040345 Taipei International Service in English
0200 GMT 3 Dec 87

[Text] The Defense Ministry said Tuesday that 585 mainland Chinese boats intruded into coastal waters of Kinmen and Matsu Islands in the last week of November. The ministry said an average of 84 mainland boats a day tried to enter the areas. They eventually were driven off by the military guards on the two islands who fired gun shots. A ministry official said 1,083 of machinegun ammunition and 23 artillery shells were fired during the period.

Recent Press Liberalization Hailed
OW040245 Taipei International Service in English
0200 GMT 3 Dec 87

[Station commentary: "A New Newspaper Deal"]

[Text] The Government Information Office of the Republic of China announced yesterday that the 36-year-old ban on new newspapers will end on 31 December. The formal announcement came on the heels of a study on the issue that was ordered by Premier Yu Kuo-hua last February.

The new regulations also drop the 12-page limit on the size of dailies. The new limit is 24 pages. A minimum number of 4 pages has been set. The Information Office spent the last 9 months studying the issue with the input of scholars, media specialists, legislators, and newspaper owners. Everyone agreed that the ban on new newspapers was outdated. More complicated was the issue of paper size. But the Information Office finally decided on the 24-page maximum and 4-page minimum with the consent of the Taiwan, Taipei, and Kaohsiung newspaper associations.

Surprisingly, the regulations on the percentage of news content versus advertising space were dropped, although the public had made it clear that it would like to see more news and features and not more ads.

On Taiwan today, there are 31 daily newspapers with a total circulation of 3.7 million. The market is considered highly saturated already, as nearly one out of five persons subscribes to a paper. For an overview, of the 31 papers, 7 are government-owned, 3 are owned by the majority party, the Kuomintang, while 16 are privately owned and 5 are operated by joint ventures between government and private businessmen. There are two English-language papers. The morning paper *The China Post* is privately owned while the evening paper *The China News* is majority-owned by the Kuomintang.

The ban on new newspapers and restrictions on page limits were set in 1951 during the period of economic reconstruction on Taiwan. At the time, the government laid equal emphasis on press freedom and economics. All newsprint was imported back then and the government

did not want to see precious foreign exchange overspent on newsprint. Another economic concern had to do with competition. There were 31 dailies then, and the government decided to protect the interests of the small papers by restricting paper size. The regulations ensured that no papers would emerge to monopolize the market. This has in fact created a more evenly distributed circulation among existing papers. *The China Times* and *The United Daily News* have become by far the largest of the dailies.

Gradually, economic reasons for such restrictions became less compelling. The needs for protectionism also dissipated as has the need to conserve. The end of the ban on new newspaper registration will mean that the new opposition political parties will be able, depending on their fund-raising capabilities, to start their own dailies. Some opposition politicians have already expressed their intention to do so.

The lifting of the ban on new newspapers and the end of size restrictions have been greeted in the context of an overall liberalization process whipping Taiwan's social, economic, and political systems. It is another of a year-long series of liberalizations that will kick into gear by President Chiang Ching-kuo, and which serve to expand the horizons of freedom of speech in this blossoming modern Chinese society on Taiwan.

Concessions to Opposition Party Noted
OW040617 Taipei International Service
in English 0200 GMT 4 Dec 87

[Station Commentary: "A Spell of Legislative Harmony"]

[Text] The majority party in the Republic of China [ROC] on Taiwan, the Kuomintang, has demonstrated its willingness again to achieve at least a modicum of harmony with the opposition Democratic Progressive Party, or DPP. The Kuomintang, or KMT, announced Tuesday that it will make one or two concessions on the minority party's demands regarding a "demonstrations" bill that is currently being hashed over in legislative committees.

The bill would establish new regulations on public marches and demonstrations. After a draft of the regulations was presented by the KMT, the DPP listed four items on which it would demand change. When KMT legislators appeared recalcitrant at the committee level, the DPP threatened to walk out and boycott the bill-making process.

In reality, a walk-out would not be of much use unless the KMT wanted to voluntarily make changes in the bill, which is the case. The KMT holds an overwhelming majority in the legislature and can pass any bill smoothly, with or without opposition input.

But again, in the interest of political harmony, the KMT decided to give in to at least one of the four demands of the DPP.

The DPP had said that if the KMT would accept at least one of the opposition's four demands, then it would not walk out. The DPP's four demands included: Changing the bill's name to drop any reference to the "period of communist rebellion"; to increase the number of government sites where demonstrations would be permitted, specially the Legislative Yuan itself; to drop a clause banning demonstrations for self-determination and pro-communist causes; and to have a government agency other than the police handle permits.

The majority KMT has decided to give in to either expanding the number of government sites where demonstrations may be held, or the demand on a name change for the bill. Reports from the legislature indicate that younger, Taiwan-elected members of the majority party prefer making a concession on the demonstration site issue; senior KMT legislators are leaning toward an accommodation with the opposition on the name issue. The KMT has said it will decide on the issue before tomorrow.

This would not be the first time the majority party has made voluntary concessions in the legislative process so as to accommodate opposition sentiments and to ensure smooth passage of a bill. Earlier this year, when the legislature was milling over the new National Security Law that was intended to fill some voids left when martial law was lifted, the KMT went out of its way to accommodate the DPP on several clauses of the law. As with the present case, the KMT did not want the DPP to either stall or boycott the law-making process at the committee level, and beyond.

During this legislative session the KMT and DPP have shown a great deal more civility toward each other. Last spring's session was racked by incessant squabbling and isolated cases of fighting on the legislature floor. Most of the problems were caused by DPP legislators seeking "extraordinary means" to draw attention to their various causes.

That kind of belligerence will not be necessary as long as the two parties continue to work issues out decently and in a spirit of cooperation, as was the case this week on the potentially volatile demonstrations bill.

Hong Kong

Governor Holds Talks With PRC Leaders

Attends Shanghai Banquet

OW040756 Shanghai City Service in Mandarin
2300 GMT 2 Dec 87

[From the "Morning News" Program]

[Excerpts] Mayor Jiang Zemin hosted a banquet yesterday evening at the (Ruijin) Mansion to warmly welcome the visit to Shanghai by Hong Kong Governor and Mrs Wilson and party. Both Mayor Jiang Zemin and Governor Wilson gave ebullient speeches at the banquet, which was permeated with an atmosphere of friendship. [passage omitted]

The seminar on economic and trade cooperation between the Hong Kong and Shanghai economic zones, which is jointly sponsored by the Shanghai Chapter of the China Council for Promotion of International Trade and the Hong Kong Trade Development Bureau, opened at the (Huabin) Guesthouse yesterday afternoon. Wang Daohan, director of the State Council's Shanghai Economic Zone Planning Office, gave an opening speech. Hong Kong Governor Wilson and State Councillor Zhang Jingfu addressed the meeting to extend their warm congratulations. [passage omitted]

Establishes Joint Conference

HK040507 Hong Kong SOUTH CHINA MORNING
POST (BUSINESS POST) in English 4 Dec 87 p 1

[By Michael Marray in Shanghai]

[Text] Officials from the Shanghai Economic Zone and Hong Kong have agreed to establish a joint conference aimed at boosting economic co-operation between the two areas, Trade Development Council [TDC] Executive Director Jack So revealed yesterday.

Speaking in Shanghai during a visit to the city by Hong Kong Governor Sir David Wilson and a high level economic mission from the TDC, Mr So said talks had shown both sides were eager to strengthen trade and investment ties.

"The Yangtze delta is looking at the Pearl River delta, in which Hong Kong has already got a lot of subcontracting and processing," Mr So said.

"There is no reason why the Yangtze delta cannot become another industrial support area for Hong Kong.

"Both sides are anxious that this type of cooperation be extended to Shanghai," he said.

Mr So explained that in order to help this process, both sides would be making appointments to the newly created joint conference, which would look at issues such as the exchange of market information and the rules and administration relating to investment in the Shanghai Economic Zone.

The establishment of the joint conference was agreed upon after a day of talks in Shanghai, where Sir David and the TDC mission met with several senior Chinese officials, including State Councillor Zhang Jingfu, Mayor of Shanghai Jiang Zheming and the director of the Shanghai Economic Zone Planning Office, Wang Daohan.

The TDC mission was led by chairman Lydia Dunn, who was accompanied by council members Allen Lee, Wong Po-yan, Peter Wrangham and Dennis Ting.

Will Not Allow Interference

HK040421 Hong Kong SOUTH CHINA MORNING
POST in English 4 Dec 87 pp 1, 2

[By Chris Yeng in Beijing]

[Text] The Governor, Sir David Wilson, said yesterday there was no question of China being allowed to interfere in the process of political reform in Hong Kong.

The warning was issued before Sir David told the Chinese Vice-Foreign Minister, Mr Zhou Nan, that there was strong support for the introduction of direct elections before the territory was returned to China in 1997.

His talks with Mr Zhou set the tone for other discussions with key officials in charge of China's policy on Hong Kong.

Last night, Sir David said that Mr Zhou had reiterated China's position that direct elections were acceptable if they conformed with the Basic law.

"He told me...they were not opposed to some element of direct elections in Hong Kong before 1997 if this is provided in the Basic Law," he said.

Asked if he had outlined to Mr Zhou the criteria that would determine if or when direct elections should be introduced, Sir David added: "I didn't describe criteria because there are no precise criteria for these.

"It's a question of the Executive Council looking at all the aspects of it and providing advice for me on what they think is the best (way) forward in response to what has been said in Hong Kong and in the best interest of making progress in Hong Kong on the matters referred to in the Green Paper (on political reform)."

Sir David had earlier surprised observers when he outlined in strong terms his opposition to any possible interference by China in Hong Kong affairs.

He has attracted criticism because he last visited the Chinese capital only three months ago.

"There's no question of inviting interference in Hong Kong affairs. No question of that," he said at Beijing Airport.

Sir David, accompanied by Lady Wilson, Political Adviser Mr Richard Clift and his private secretary Mr Richard Hoare, was met at the airport by Mr Zhou and the British ambassador to Beijing, Sir Richard Evans.

Mr Zhou said he was pleased Lady Wilson had accompanied her husband.

Sir David said his talks would give him a chance to brief Chinese officials on developments in Hong Kong and its growing economic links with China.

Observers say Sir David's trip this time is crucial in determining the next phase of Hong Kong's political development.

It is also his last opportunity to personally sound out Chinese officials on their views over direct elections and other issues relating to political reform before the publication of the White Paper in February.

Sir David and Mr Zhou held two hours of talks in the afternoon, during which the Survey Office report containing public views on political reform was discussed at length.

Sir David is understood to have told Mr Zhou that there was general support for an element of direct elections before 1997, although views were sharply divided on whether they should be introduced next year.

He also briefed Mr Zhou on a Legislative Council debate last month which indicated strong support for direct elections in 1991 or 1992 after the Basic Law is promulgated in 1990.

Observers said Sir David would spend most of his time in Beijing talking to his Chinese counterparts about the issue of direct elections before 1997.

A Chinese official told the *South China Morning Post* that it would be difficult for China to commit itself beyond the statement made by senior Chinese official, Mr Li Hou, in September.

At the time, Mr Li, a deputy director of the Hong Kong and Macao Affairs Office under the State council, said that China was not opposed to direct elections in 1991 or 1992 if there was a provision for them in the Basic Law.

Sir David will hold talks this morning with Mr Li and Mr Lu Ping, another deputy director of the Hong Kong and Macao Affairs Office, and progress on the drafting of the Basic Law is likely to be discussed.

Throughout his talks, the Governor is expected to stress that no decisions have been taken by the Executive Council on what will go into the White Paper.

He is likely to explain that Executive Councillors will weigh all the views submitted in the Survey Office report and that direct elections are only one of many issues to be carefully considered.

He is almost certain to impress upon the Chinese officials his commitment to maintaining stability and prosperity in Hong Kong and to stress that this might be jeopardised if the Government's credibility was further damaged.

Observers believe the Government's credibility would improve if there was some commitment on when direct elections could be introduced.

China has made it clear it does not want any political changes in Hong Kong until the Basic Law is ready.

Less clear is whether China will agree to any change between 1990 and 1997.

A joint press conference will be held this afternoon.

This evening, Sir David will attend a dinner hosted by the director of the Hong Kong and Macao Affairs Office, Mr Ji Pengfei, at the Diaoyutai State Guesthouse.

UK Unlikely to Increase Defense Spending
HK040437 Hong Kong SOUTH CHINA MORNING POST in English 4 Dec 87 pp 1, 2

[By Simon Macklin]

[Text] The British government would find it difficult to increase its defence spending in Hong Kong, the chairman of the influential British All Party Defence Group, Lord Chalfont, said yesterday.

The chairman of the parliamentary advisory group said the UK would in future have to meet increased defence costs in Europe and there would be less cash available to contribute to the cost of the garrison in Hong Kong.

Lord Chalfont, visiting the territory on a business trip, said he would discuss the defence costs agreement at a meeting today with the Deputy Governor, Mr David Ford.

But he was not optimistic that the Hong Kong Government would be able to persuade the British Government to pay for a larger slice.

"Speaking personally, my feeling is we would find it very difficult to contribute any more (defence) spending to Hong Kong," Lord Chalfont said.

He added that the recent agreement between the superpowers, which may lead to the withdrawal of U.S. medium-range nuclear missiles from Europe, might affect negotiations on the territory's defence costs.

Earlier this week British representatives along with defence ministers from the 13 other members of the North Atlantic Treaty Organisation held talks on how to improve the West's conventional forces in Europe in view of the superpower agreement.

Lord Chalfont said given that the British would probably have to increase their expenditure to maintain the army in West Germany, there would be less cash available to pay for the army in Hong Kong.

And he said the British government was already seeking ways to save money on its overall defence spending.

However, he pointed out that the garrison in Hong Kong played a strategic role in Britain's defence policy and it was unlikely to accept a downgrading of its military presence in the territory.

"The Hong Kong garrison is considered a very important part of Britain's defence commitment and certainly will remain so up to 1997," he said.

He said the garrison in Hong Kong had been depleted over the past few years and the British government was unlikely to agree to a further reduction before 1997.

Lord Chalfont said he was not privy to negotiations on defence costs but he knew Prime Minister Margaret Thatcher was taking a close interest.

"The Prime Minister does have a very direct interest in Hong Kong largely because of the role she played in the 1997 negotiations," he said, adding that the All Party Defence Group would be discussing Hong Kong's defence costs in the near future.

The top level study group would make a recommendation to the British Government.

Lord Chalfont also said the role played by the Gurkhas in Hong Kong was important.

"Now the only place they are stationed is here and in Brunei," he said.

Lord Chalfont said he was keen to hear the views of people in Hong Kong on the issue.

Under the terms of the present defence costs agreement, the Hong Kong taxpayer foots 75 percent of total costs.

The current expenditure on defence is \$2.28 billion, with Hong Kong paying \$1.71 billion and Britain \$572 million.

Negotiations in London between a three-member Hong Kong Government team and the British Ministry of Defence have not made much headway.

Some Taiwan Agencies 'Might Stay' After 1997

*HK040621 Hong Kong TA KUNG PAO in English
3 Dec 87 p 16*

[Text] Taiwan's non-governmental bodies relating to trade, news and cultural affairs might stay in Hong Kong after 1997, predicted Mr Pok Shau-fu, managing director of a Taiwanese magazine, *Newsdom Weekly*, and Taiwan's former legislator.

However, official and sensitive bodies including the China Airlines would have to withdraw from the territory after 1997, said Mr Pok, adding that it would be impossible for China Airlines' planes to fly to Hong Kong after 1992.

Mr Pok said he felt that mainland authorities concerned were very kind to the two reporters of the Taiwan's *Independent Evening Post* who had made a dramatic visit to the mainland in mid-September this year. He predicted that Taiwan's news organizations will stay in Hong Kong in the future.

Record Number Police Documents Requested

*HK040349 Hong Kong SOUTH CHINA MORNING
POST in English 4 Dec 87 p 3*

[By Tsang Shuk-wa]

[Text] A record 40,000 people are expected to apply this year for police documents needed to emigrate—and the pressure is taxing government facilities.

The security panel of the Office of Members of the Executive and Legislative Councils (Omelco) was told yesterday that 32,838 people had applied for Certificates of No Criminal Conviction in the first nine months of this year.

If the number of applications continues to grow at the existing rate—an average of 3,649 monthly—the total by the end of this month is expected to top the 40,000 mark.

A yearly record of 35,605 applications was set last year—a big increase from the 21,128 certificates issued in 1985.

Government records show that more than 151,882 such certificates have been provided to Hong Kong citizens in the past five years.

They are generally a basic prerequisite for making an emigration application and are the only available record of the departure rate. The Hong Kong Immigration Department says it does not keep records of the number of people emigrating.

The Secretary for Security, Mr David Jeaffreson, told the panel that applications for the certificates this year had increased following a surge in the number of students applying to study overseas.

They, too, were usually required to provide proof of a clean police record before receiving a visa to study in another country.

Mr Jeaffreson said a breakdown of the number of applicants using the document to apply to emigrate was not available.

However, a spokeswoman for the Hang Seng Bank's education advisory service said the total number of students who would apply for a certificate this year was not expected to exceed 5,000—an increase of about 500 from last year's total.

Panel convener Mr Peter C. Wong said the group had advised the police to upgrade the manual fingerprint record retrieval system to cope with demand.

At present, an applicant is required to go to the police certificate issuing unit in Causeway Bay to have his fingerprints taken at least 10 days after he files the request.

It takes at least another four weeks for the police to check the fingerprint records.

Mr Wong said panel members would recommend that the Finance Committee approve funds for installing a computerised system for fingerprint records if the police accepted the proposal.

Manufacturers May Move to Philippines
HK040501 Hong Kong HONGKONG STANDARD (BUSINESS STANDARD) in English 4 Dec 87 p 1

[Text] A number of small to medium size Hong Kong manufacturers are looking at the possibility of setting up operations in the Philippines' export processing zones.

These manufacturers yesterday met the Philippine Export Processing Zone Authority Chairman Jaime Guerrero, who is in Hong Kong to promote the export zones.

The exporters who attended the meeting included those from the garments and textile industry as well as the watch industry—many of them interested to find cheaper places for manufacturing their products.

The growing labour shortage problem in Hong Kong and the resulting rise in wages has forced local manufacturers to seek refuge either in China or other manufacturing centres in the region providing cheaper labour. At the same time, a number of garment exporters expressed keen interest to expand their exports to the U.S. through unused garment quotas allocated to the Philippines.

Mr Guerrero said the Philippine Government welcomed these exports, noting that their operation would be ideally suited to the four regular export zones in the country.

Not just cheaper labour, but by locating in the zones manufacturers are provided with a host of fiscal incentives as well as special privileges not available outside the zone.

Among the fiscal incentives he cited were exemptions from import duties and taxes, export taxes and fees, local taxes, contractor's tax, wharfage fees and branch profits remittance tax.

Mr Guerrero said the authority was working towards revitalising the zones' image following years of mismanagement under the previous government.

"We have been working double time to improve the zones' image and delivery system" Mr Guerrero said.

Editorial on Local Clergymen, PRC Ties
HK040401 Hong Kong SOUTH CHINA MORNING POST in English 3 Dec 87 p 28

[Editorial: "Treading a Wary Path Among Temporal Issues"]

[Text] The trial and travails of two prominent local clergymen—one Anglican and the other Catholic—have distinctly pointed out the dilemma facing the major Christian denominations in Hong Kong during the period of transition to Chinese sovereignty. The Anglican and Catholic churches have always presented themselves as torch-bearers of the territory as their clerics habitually appeal to the conscience, courage and conviction of their flocks. So it is against this moral backdrop that the ardent Anglican anti-nuclear lobbyist, the Reverend Fung Chi-wood, and the pro-democratic, Father Louis Ha, have recently been persuaded to soften their approach. The Anglican hierarchy has asked the Reverend Fung to take study leave which, for some of his friends and associates, amounts to a public censure. Meanwhile, the Catholic diocese has impressed on Father Ha not to join a pro-democratic delegation to London because such a trip could embarrass the church which does not wish to get too deeply involved in local politics.

The two established churches are today confronting a serious conundrum—tugged on the one side by those who think their faith should not be left behind in the public stride for change and pulled on the other by those who believe the opposite. Neither the Reverend Fung nor Father Ha has ever pretended to speak for their respective churches on sensitive temporal issues. However, despite such disavowals they are nonetheless viewed by the public as religious and moral leaders whose ideas must somehow coincide with those of their

churches. The growing activism in the churches and the confusion between pastoral and political responsibilities are a phenomenon the ecclesiastics cannot ignore.

The Anglicans—through the Very Reverend Dr Robert Runcie who boasts Mr Deng Xiaoping as a personal friend—have long-cherished their excellent ties with Mainland China. The campaign led by the Reverend Fung to shelve the Chinese nuclear plant at Daya Bay as well as his strong support for direct elections in Hong Kong next year have rattled the church hierarchy who think provocations against China are bound to be counter-productive. While the Catholics here do not enjoy similarly close links with the People's Republic, few want to jeopardise chances for reconciliation between the Vatican and China. To have one of their most renowned scholars be so closely identified with the pro-democratic movement does not sit well with the local Catholic Church which has been accused of obduracy in the face of dissent.

Despite conciliatory words in public, a schism between the radicals and the conservatives is evident in both the

Anglican and Catholic churches. However closely the church authorities may identify with the underprivileged, they are major institutions of Hong Kong and cannot risk their standing for the popular causes to which the more zealous clerics gravitate. Many of today's younger priests earned their frocks in the early 1970s during the heyday of the pressure groups; it is natural for these paragons to sympathise with the underdog in observance of the gospel and their own sense of justice. Whereas the church stalwarts must prize and protect their order's worldly interests, the progressives, however, espouse a liberal social philosophy which years ago would have been condemned as heresy. The conflict will not cease but rather heighten over the next few years as politics and social activism continue to attract their share of advocates from the clergy and the laity alike. But then that should not in itself be alarming for, as a Catholic priest says: "The believers are no different from the general population in which there are bound to be conservatives and radicals." That, indeed is a consoling thought in a time of political strife.

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